

PATENT PUBLIC ADVISORY COMMITTEE

ANNUAL REPORT 2011



UNITED STATES PATENT AND TRADEMARK OFFICE

4 NOVEMBER 2011

PATENT PUBLIC ADVISORY COMMITTEE MEMBERS

VOTING MEMBERS

Damon C. Matteo
Chairman
Palo Alto Research Center
Palo Alto, CA 94304

Marc S. Adler *(Term Expired 10/9/2011)*
Marc Adler, L.L.C
Wynnewood, PA 19096

Ben Borson
Borson Law Group, PC
Lafayette, CA 94549

Louis J. Foreman
Enventys
Charlotte, NC 28202

Esther Keplinger
Wilson, Sonsini, Goodrich & Rosati
Washington, DC 20006

Michelle Lee *(Term Expired 10/9/2011)*
Google
Mountain View, CA 94043

Steven Miller
Procter & Gamble
Cincinnati, OH 45232

Wayne Sobon
Rambus
Mountain View, CA 94043

Maureen K. Toohey *(Term Expired 10/9/2011)*
Toohey Law Group, LLC
Boston, MA 02110

NON-VOTING MEMBERS

Robert D. Budens
President
Patent Office Professional Association (POPA)
USPTO
Alexandria, Virginia

Catherine Faint
Vice President
National Treasury Employees Union (NTEU), Local 245
USPTO
Alexandria, Virginia

Vernon Ako Towler
Vice President
National Treasury Employees Union (NTEU), Local 243
USPTO
Alexandria, VA 22314

TABLE OF CONTENTS

Section	Title	Page
I	Introduction	
i	PPAC Statute & Charter	4
ii	Preamble & Guide	4
II	Executive Summary: State of the USPTO	
1	Summary Observations & Recommendations	5
2	Finance, Budget and Fee Setting	5
3	Legislative: America Invents Act	6
4	IT & Infrastructure	6
5	Process Re-Engineering	7
6	International	7
7	Outreach	7
III	USPTO Context & Strategy	
1	Snap-Shot: Current State Of The USPTO	8
2	Forward-Looking Vision: Strategic Highlights For USPTO	8
IV	Topical Coverage	
1	Finance	10
2	Legislative & America Invents Act	13
3	IT Systems & Infrastructure	21
4	Process Re-Engineering	26
5	Outreach	37
6	International	39
V	Appendices	
A	Transmittal Letter	44
B	Committee Membership	45
C	PPAC Statute (35 U.S.C. §5)	50
D	PPAC Charter	52
E	America Invents Act Excerpt	55

SECTION I - INTRODUCTION

I.i PPAC Charter

■ Statutory Charter

The Patent Public Advisory Committee ("Committee" or "PPAC") was created to advise the Director on the "policies, goals, performance, budget and user fees of the United States Patent and Trademark Office ("Office" or "USPTO") with respect to patents." The Committee's duties include the preparation of an annual report ("Report") submitted to the President, the Secretary of Commerce, and the Committees on the Judiciary of the Senate and the House of Representatives. This Report has been prepared and duly submitted in fulfillment of that obligation.

The PPAC is established by statute under 35 U.S.C. §5, its formal Charter, and the Committee has some additional duties pursuant to have been amended and expanded under the newly passed America Invents Act. An excerpt of the relevant sections of each is appended to this Report for reference in Appendix C, Appendix D and Appendix E respectively of (Section V of this Report). Please also see the Executive Summary (Section II) and Legislation (Section IV.2) for further details on the PPAC's role additional duties attendant to the America Invents Act and recommendations with respect to the implementation impact of the America Invents Act on this Committee.

I.ii Preamble & Guide

This Report is intended to provide the Committee's perspective and recommendations regarding the major operations of the USPTO and the external factors influencing those operations.

To facilitate review, you will find this Report organized into the following major sections and supporting collateral materials appended to the end in appendices:

- ♦ **Introduction** (Section I) – A brief discussion of background and mission of PPAC.
- ♦ **Executive Summary** (Section II) – A brief look at high-order objectives, issues, and recommendations.
- ♦ **USPTO Context** (Section III) – An overview of the current context within the USPTO along with the forward-looking strategy and objectives for the Office.
- ♦ **Topical Coverage** (Section IV) – In-depth examinations of key aspects of the USPTO's operations, performance, and broader innovation eco-system.
- ♦ **Appendices** (Section V) – Supporting materials, Committee member information, and additional detail on reported topics.

Electronic versions (PDF & Section 508 compliant) will be made available on the PPAC section of the USPTO web-site (www.uspto.gov/about/advisory/ppac/). Additionally, this Report will be published in the USPTO Official Gazette in both electronic and hard-copy form.

Note: For additional information, and a complementary perspective on these topics, the USPTO produces its own, more exhaustive annual report which provides the USPTO's views on its operations and performance. The USPTO Annual Report will be available on the USPTO web-site (www.uspto.gov).

II.1 Summary Observations & Recommendations

In reviewing the current state of the USPTO, two fundamental principles repeat themselves. The first is that funding, specifically the lack of adequate funding, has had a pandemic negative impact across the USPTO operations. Insufficient funding has constrained hiring, limited new initiatives targeting quality and pendency improvements, and even hampered efforts to bolster and replace a long since antiquated IT environment upon which most of the USPTO operations reside and upon which they rely. The second theme is that despite these funding issues, a rocky infrastructure foundation, and other constraints, the USPTO has still achieved meaningful progress against its goals on multiple fronts: including quality, pendency, and its IT infrastructure. The Committee commends the USPTO for making this progress, and in particular for doing so in the face of funding and resource constraints. However, the Committee strongly cautions against "punishing" the USPTO for these hard-earned successes by assuming that inadequate levels of funding will suffice, and that the USPTO can sustain such progress under prolonged funding shortfalls. Rather, status quo for funding puts both new initiatives and even current levels of performance at serious risk. The Committee strongly believes that both the continued progress on its new initiatives and even the maintenance of its current levels of operation require funding sufficient to the task. Adequate appropriations, and the fee-setting authority newly obtained under the America Invents Act together provide the basis, but not guarantee, of a sustainable funding model for the USPTO. The Committee further believes that an additional and integral part of the funding equation must include full access to all collected fees for the USPTO.

II.2 Finance, Budget & Fee-Setting

General Funding Implications: Funding at adequate levels continues to be a recurring theme across many aspects of the USPTO operations. Resources as varied as examiners and computer infrastructure all ebb and flow with available funding, and this in turn causes a ripple-effect that perturbs USPTO operations in the form of pendency and quality impact.

- ♦ **Full Access:** Another recurring theme throughout this Report is that the Committee strongly recommends that the USPTO receive full access to all user fees, and sees this as key to the USPTO bolstering its infrastructure and continuing its progress in process and quality improvements.
- ♦ **Fee-Setting Authority:** Upon enactment, the America Invents Act provided the USPTO with the ability to set or modify any fee established under the Patent Act in a fashion with recovering aggregate estimated costs for patent operations. This fee-setting authority should enable the USPTO to dynamically adjust to changing demand and resource requirements for patent services.
- ♦ **PPAC-Impact:** As part of this new fee-setting authority under the American Invents Act, this Committee will have an expanded role which includes the review of these new fees, organizing public hearings on new fees, and providing feedback to the USPTO from the applicant community.
- ♦ **15% Surcharge:** This flat surcharge promises to increase USPTO revenue (subject to elasticity), and was widely supported by the applicant community in general as a vehicle for giving the USPTO additional revenue to fund needed programs and infrastructure. However, the key to maintaining that applicant good-will and the promised benefits hinges on the USPTO being able to retain full access to all of its fees. The applicant community supported what it believed to be a vehicle for improving USPTO operations, not an innovation tax with no clear benefit to the innovation community.

II.3 Legislative: America Invents Act

General Summary: With the passage of the America Invents Act, the USPTO will need to implement a number of changes to meet these new statutory requirements. Some of the provisions of relevant to the USPTO include First To File, Post-Grant Review, replacing Inter Partes Re-Examination with Inter-Partes Review, and Derivation Proceedings. In addition, the USPTO will be responsible for a series of studies on such topics as small business protection, misconduct before the Office and satellite offices. The Committee looks forward to working with the USPTO in developing process and procedures attendant to these new statutory obligations.

♦ **PPAC Impact:** In light of the expanded role for the Committee under the America Invents Acts, the Committee strongly recommends that the current limitation of sixty days of service per rolling year, which arises under:

- the PPAC Charter (§D.1); and
- Federal conflict of interest laws applicable to Special Government Employees ("SGE"). [Note: The calculation of days worked is relevant to determining both SGE status and the extent to which the restrictions of 18 U.S.C. § 203 and 18 U.S.C. § 205 apply to a SGE.]

stands, but be interpreted to allow a full eight hour day for each of the sixty days *i.e.*, enabling each Committee member to work up to 480 hours on Committee business. Under the current time accounting methodology, as little as 15 minutes of work could constitute a "day", and in the worst case limit the Committee member to as little as 15 hours. The Committee feels this accounting methodology serves neither the USPTO, nor the innovation community at large. The Public Advisory Committees were constituted by statute (35 U.S.C. §5) and their role recently expanded under the America Invents Act as a signal of their import and contribution. The Committee feels strongly that re-interpreting the time-accounting methodology to allow for a full 480 hours of service enables the Committee to fulfill its original and new expanded role in the thoughtful, professional manner those obligations and the applicant community both deserve.

II.4 IT Systems & Infrastructure

Despite continued funding shortfalls for IT-related initiatives, the USPTO has made commendable progress on a number of fronts. In particular, by choosing an Agile-development model for rolling out new services and programs, the USPTO has the ability to incrementally address issues, enhance functionality, or add new services in an economical and phased way. This obviates huge front-end costs attendant to other development methodologies and obviate much of the risk as the projects can be dynamically adjusted, and efforts ratcheted up or throttled back as need requires and resources dictate. In addition, the OCIO has done a commendable job in establishing cross-functional workgroups within the USPTO to inform the definition, design and implementation of each of these new IT initiatives. Further, in addition to these internal stakeholders, they have reached out to the applicant community to gather their feedback about user-experience and objectives.

- Issues: Again, funding has been and continues to be rate-limiting on much needed progress on an aging IT infrastructure and deficiency in up-to-date tools and resources for the USPTO. By way of example, the 2010 funding allocation for new IT systems was cut from \$30M to \$8M.

II.5 Process Re-Engineering

- ♦ **Process-Side:** The USPTO has recently instituted a multi-phased process re-engineering effort, which will employ "Lean Six-Sigma" methodologies to improve efficiencies of its personnel and in its operations. In addition to targeting specific "symptoms" of inefficiency, they will more importantly be looking to explore and improve the deeper causes (culture, process, knowledge, etc...) of these inefficiencies.
 - Recommendations: Some of the areas the Committee encourages the USPTO to further explore and exploit in the near term for efficiency gains include:
 - Search: Providing examiners with an enhanced/federated search capability including a scalable "search assistant" to improve the speed, breadth, and accuracy of searches.
 - Improved Classification: Currently, about 15% of the cases taken in are transferred from their original Art Unit due to mis-classification. Refinements and clarifications in the Classification system could provide quick gains in efficiency and effectiveness for a USPTO struggling under a huge back-log.
 - Long-Term Recommendations: As the process improvement efforts progress through further stages, the Committee encourages the USPTO to continue its work on improving the user-office interface, obviating double-patenting and moving to electronic IDS submissions.

II.6 International

Among the other progress made on the international front e.g., SHARE, the USPTO has in particular made progress in the PCT applications attendant to the Patent Prosecution Highway ("PPH") effort, achieving an allowance rate on the order of double the normal route. We encourage the USPTO to continue to explore additional ways to achieve this kind of efficiency and quality gains in other international and domestic operational fronts.

II.7 Outreach

The USPTO has stepped up its pro-active education and awareness efforts on two fronts: America Invents Act and in service of independent inventors. In the spirit of this outreach, PPAC encourages the public to provide comments on AIA implementation or USPTO operations to PPAC and/or the USPTO.

SECTION III – USPTO CONTEXT & STRATEGY

III.1 Snap-Shot: Current State Of The USPTO

The USPTO plays a key role in fostering the innovation that drives job creation, investment in new technology and economic recovery, and in promoting and supporting the Administration's priorities including the reduction of patent pendency and the backlog of unexamined patent applications. While spending authority reductions greatly impacted the USPTO's ability to decrease patent pendency and the backlog, the USPTO succeeded in making progress by focusing on new methods and processes to increase efficiencies and strengthen effectiveness through collaboration, communication and transparency.

The USPTO has undertaken a series of initiatives to improve the speed and quality of patent processing in an ongoing effort to further strengthen its examination capacity. In addition, the USPTO has aggressively been reengineering many systems and processes including its internal information technology systems that are smarter, better, faster and stronger for all stakeholders. For the first time in several years, the USPTO was able to push the number of patent applications awaiting first action well below 700,000 – an important milestone indicating its initiatives are having a tangible impact. Another significant milestone the Agency surpassed this year was the issuance of its 8,000,000th patent. This is an important signal of the technological vigor and creative industry underpinning a healthy and highly-productive U.S. intellectual property system.

But even with all of this activity, the USPTO still faces enormous challenges. The America Invents Act will promote innovation and job creation by improving patent quality, clarifying patent rights, reducing the application backlog and offering effective alternatives to costly patent litigation. Implementation of the AIA's provisions presents numerous challenges and various working groups have already been convened to roll out a staged implementation of the bill over the next 18 months. The USPTO plans to actively engage stakeholders to ensure that implementation is accomplished in a proper and timely manner. Most importantly, successfully implementing the funding provisions of the America Invents Act will allow the USPTO to manage fluctuations in filings and revenues while sustaining operations on a multi-year basis, which is critical in successfully addressing patent pendency, IT priorities and other Agency goals and objectives.

In looking ahead, the USPTO will continue to take the steps necessary to achieving its goal of reducing patent pendency and the backlog of unexamined patent applications by recruiting, training and retaining a highly skilled diverse nationwide workforce, building high-quality and efficient IT infrastructure and processes which provide examiners with the tools needed to efficiently and effectively perform their jobs.

III.2 Forward-Looking Vision: Strategic Highlights For USPTO

As it does every year, the USPTO advances its own strategic plan outlining its goals and objectives going forward for the next five years. This year's strategic plan for the USPTO sees many repeat objectives for its operations, including reductions in pendency and improvements in quality. However, the reappearance of these same objectives should not be taken to mean there has not been meaningful progress over the past year upon many of these goals already. Rather, it represents an ongoing commitment to improving these and other aspects of the USPTO operations and output. There is still significant work to be done on many of these objectives, and much of this progress hinges on receiving funding and resources adequate to the task.

Principal among these stated goals for the USPTO over the next five years are:

- ♦ **Pendency:** In an effort to provide for the timely examination of patent applications, the USPTO has identified several principal and ambitious goals:
 - **First Action on the Merits:** The reduction of the average time to first office action on the merits for patent applications down to ten months (average FAOM pendency was 25.7 months in 2010).
 - **Total Average Pendency:** To reduce average total pendency for a patent application to 20 months from the time of filing to the final disposition of the application via issuance or abandonment (average total pendency was 35.3 months in 2010).
- In support of these goals, the USPTO plans to increase examination capacity by:
 - **Examiners:** The USPTO will continue its efforts to increase both the quantity and quality of new applicants that it brings into the examination corps.
 - **Process:** Process improvements focused on gaining efficiency and efficacy on both sides of the prosecution equation:
 - **Three-Track:** Making more efficient the examination process. By way of example the "Three-Track" examination process when fully implemented is designed to increase the efficiency and effectiveness of the examination process. Track One, prioritized examination, was implemented upon passage of the American Invents Act. The additional Tracks will come online in the future, and include an applicant-controlled delay of up to thirty months before docketing for examination *i.e.*, Track Three.
 - **First Action Interview:** The USPTO has made this program available to all utility applications with the hope that these early interactions between applicant and examiner will increase the ease and clarity of later interactions resulting in increased quality and efficiency of the overall examination.
- ♦ **Quality:** In service of improving the quality of its patent examination, the USPTO will implement or bolster several quality initiatives including:
 - **Quality Metrics:** The USPTO has implemented and uses a new Composite Quality Metric (in part, co-developed with the PPAC through public outreach efforts) to reflect and monitor broad and objective measures of quality in examination. The Composite Quality Metric also includes the Quality Index Report which tracks the actions examiners take in the prosecution of a patent – a timeline and history of examiner activity.
 - **Outreach:** In addition, the USPTO expanded its external outreach to the applicant community with its Patents External Quality Survey – soliciting feedback on various aspects of prosecution and user interactions with the USPTO.
 - **Training:** The USPTO will continue to update and enhance training of its examiner corps, including ISO-9001 certification for its new patent examiner training program.
- ♦ **Appeal & Post-Grant Processes:** The PPAC understands that among the initiatives planned to improve the appeal and post-grant process is a significant expansion of the number of judges serving in the Board. While PPAC commends the effort to increase capacity in the Patent Trial & Appeal Board, the Committee encourages the USPTO to enhance feedback mechanisms from these proceedings to ensure a focus on constant process improvement.
- ♦ **Infrastructure:** The USPTO will again be focusing efforts on improving its IT infrastructure and the quality of the tools provided to its examiner corps and to the public. A key principal in these efforts will be the simplification and consolidation of multiple aging systems, supplanting them with systems created with an agile-development model, and with cloud-based solutions.
- ♦ **Funding:** The USPTO shares PPAC's concerns about access to adequate funding over the next five years. Many, if not all of these other important goals for the future – and even maintenance of current levels of operation – require the USPTO to receive sufficient funding.

SECTION IV – TOPICAL COVERAGE

IV.1 Finance

IV.1.1 Consistent Funding Stream & Full Access to Fees Are Essential

The USPTO performs the significant, important and beneficial role of examining and granting patents to inventors. It receives a continual flow of applications into the Office and in order to do its job effectively and to provide timely examination of the patent applications, the USPTO requires a consistent funding stream and full access to all of the fees it generates. Because of the large number of applications filed, the USPTO has needed to expand the Examining Corps and hire more Examiners to support the growth and to provide prompt and accurate examination to be useful to the applicants whose businesses depend upon the patent. Without consistent funding, the Office cannot make long-range plans for achieving its mandate including hiring or developing the infrastructure essential to meet the demand for its services.

The lack of access to all user fees collected cripples the agency and negatively impacts the ability of the USPTO to do its job. The USPTO receives no tax revenue but instead generates all of its revenue through user fee. Thus, when the Office receives a patent application, it also generates fees associated with that application that are required in order to fund the examination of that application. Without a sustainable funding model to support operations, if the Office receives applications but does not have access to the fees associated with that application, the Office must make difficult financial decisions to cut spending or allow that application to sit until it receives the money that will allow it to examine the application. This creates backlogs of unexamined applications and increased pendency of the applications stemming from inability to hire Examiners and provide the support and services necessary to accomplish the mission of the USPTO.

High quality and timely examination of patent applications require not only the highly skilled personnel but also world class tools and electronic programs to support them in their jobs. Today the availability of information through electronic media is absolutely critical to successful examination of patent applications. The OCIO is desperately in need of funding to update critical systems and replace the aging and outdated equipment currently supporting the Examining Corps. In fact, the replacement is long overdue and the agency is running with a serious possibility of critical failures should the equipment not be replaced soon. The USPTO is entirely dependent upon electronic systems so their failure could be catastrophic to the Agency's operations.

Therefore, the PPAC strongly recommends that the budget of the USPTO reflect current estimates of paid applicant fees during the Fiscal Year 2012 budget cycle.

IV.1.2 Effects of Budget Cuts & Funding Limitations during Fiscal Year 2011

- ♦ **IT Systems & Infrastructure** (OCIO): Limited funding in FY 2011 caused the OCIO to delay various improvements and services to the employees they support, which translates into decreased efficiency of the Examiners and consequent poorer and slower service for the public.
- ♦ **Patents Business Unit**: Limited funding in FY 2011 required the USPTO to postpone several strategic initiatives, such as, achieving 10 months patent first action pendency in the scheduled timeframe, achieving 20 months patent total pendency in the scheduled timeframe, implementing the Three-Track Examination (including the Track 1, prioritized examination), and Nationwide Workforce, and reducing the contracting for Patent Cooperation Treaty (PCT) Chapter I prior art searches. These postponements have significant impacts on Applicants as it delayed pendency reduction and reduced timely completion of PCT applications, undermining

USPTO's progress on their strategic goals and diminishing the ability of businesses to receive patents and commercialize their inventions

IV.1.3 Provisions of America Invents Act

The authority of the USPTO to set and adjust its fees is very important to permit a flexible, agile adjustment to changing patterns or dynamics that occur in the workload of the USPTO. Fee setting authority will allow the USPTO to tailor fees and programs to meet the changing needs of patent applicants. As was demonstrated two years ago, economic downturns can affect the timing of payment of maintenance fees reducing the Office collections. Since the user fees are the only source of income for the USPTO, such a reduction in fee collections can lead fiscal difficulties if the Agency has not developed a sustainable funding model for long-term operations.

Another provision of the AIA provides a 15% surcharge on many of the existing patent fee schedule, which gives the Agency a significant allowing it to continue reducing its backlog and decreasing pendency. This is an important feature that enables the Agency to generate additional revenue until it develops and implements anew fee schedules.

The ability to set fees and implement a 15% surcharge on existing fees has been endorsed by the user community but only if the USPTO is given full access to all its fee collections. The users do not endorse increases in their fees for patents if that money is funneled away from the agency. Access to less than all fees collected would be considered an unfair tax on innovation for those individuals creating businesses and jobs for the United States, which in turn contribute to the economic growth of the country.

The country is currently engaged in efforts to reduce the national debt and identify programs which can be cut or reduced to contribute to the debt reduction. During this important work, it is essential that the USPTO fees be excluded from these discussions since these fees do not stem from regular tax revenues but rather are separately paid to receive a very specific service in exchange- that is, the examination of a filed patent application. Therefore, the PPAC very strongly recommends that the USPTO be exempt from consideration by the Budget Super Committee.

The USPTO is a fee funded agency of the Department of Commerce, subject to the annual appropriations process. While the Office accurately forecasts expected revenues within a few percent, actual applicant receipts can vary, and the Office can collect fees in excess of budget within a given year. Again, it is a matter of simple fairness to the applicants who pay those fees and essential to the successful accomplishment of its goals and mandate, for the Office to have access to those excess fees. Full access to the entire revenues generated by the USPTO could most effectively be accomplished with the creation of a revolving fund from which the USPTO can access these fees with minimal request requirements. The ability to forecast anticipated revenues and develop and implement long-range plans to accomplish them is critical to an agency tasked with delivering a service so essential to the economic health of the country. The highly skilled employees and sophisticated tools required to successfully examine the highly technical patent applications demand consistent funding for maintenance and further development and enhancements.

The AIA requires significant investment by the USPTO in dollars and personnel for implementing the programs, provisions and studies set forth in the legislation section of this Report. Enacting this significant new legislation without associated revenues undermines not only the Agency's ability to successfully implement the legislation, but also the ability of the Agency to maintain its core functions. Since the legislation must be implemented, the Agency would have to cut other functions if insufficient funds were made available. As a consequence, both backlogs and pendency likely would increase and quality could decrease.

Another aspect of the legislation associated with the new fee-setting authority are provisions that create new roles for the PPAC in reviewing the fee-setting proposals and the extensive new rules that will be

generated by the USPTO to implement the new programs provided by the legislation. The PPAC has only a limited amount of time allocated to the performance of its duties and these new duties are added on top of existing roles.

IV.1.4 Committee Finance Recommendations

Based upon the above funding issues, amplified by the significant impact funding has on the operations and output of the USPTO, the Committee recommends the following:

- ♦ **Full Access:** The USPTO should receive full access to all collected fee revenues.
- ♦ **Budget Integrity:** The USPTO should receive the full amount from its 2012 budget.
- ♦ **Super Committee Exemption:** Exempt the USPTO from consideration for funding reductions by the Budget Super Committee.
- ♦ **Revolving Fund:** Provide simple access to excess collected fees through a revolving fund to provide for continuity, investment and contingency funding of the USPTO.

IV.2 Legislative & America Invents Act

IV.2.1 Overview

Legislative issues have been a significant focus for the Office and the Committee during this fiscal year, and with the enactment of the America Invents Act on September 16th, promise to be a major focus, presenting both significant challenges as well as opportunities, for the Office and the Committee, in the upcoming year.

The America Invents Act has been called the most significant change to United States patent law since the Patent Act of 1952. Along with important changes to our patent laws come key changes to the Office's funding and procedures. The Office and the Committee are committed to ensuring that these changes are implemented in the most appropriate manner to continue the improvements that the Office has made over the past year. One of the most critical issues to proper implementation of the American Invents Act, and to the overall operations of the Office, is funding and the USPTO's ability to access revenue it receives from the fees it collects.

As discussed in more detail below and in the Finance Section, the American Invents Act provided for a 15% surcharge on most existing patent fee effective as of September 26, 2011 and the authority for the Office to set and adjust its fee schedule by regulation, to align fees in a timely, fair, and consistent manner that tailor its fees to the needs of the Applicants as well as the Office. Neither of these changes, however, helps the patent system unless the Office is given full access to its Applicant-generated fees. Moreover, without full access to these Applicant-generated fees, the Office's implementation of the American Invents Act could be very negatively impacted.

IV.2.2 Fiscal Year 2011 Continuing Resolution

The Office operated under a Continuing Appropriations Act, which was signed by the President on April 15, 2011 (Public Law 112-10) – for all of the FY 2011. Under this Act, the appropriations for the Office were limited to \$2.09 Billion, although it is currently estimated that Applicant-generated collections exceeded this appropriation by approximately \$270 Million.

As discussed in greater detail in the Finance Section, limiting the appropriation to \$2.09 Billion forced the Office to make a number of difficult decisions, including slowing the hiring of new patent examiners, limiting over-time pay that is used to reduce patent application pendency, slowing (and in some cases stopping) strategic plan initiatives, such as the Nation-wide Work Force, Three-Track Examination and Contracting for Patent Cooperation Treaty (PCT) Chapter I search reports, as well as much-needed IT infrastructure improvements.

As a result, the USPTO has been operating at a level noted to be about 10% below its FY 2011 budgetary requirements. Most notably, the USPTO has not been adequately funded to reduce patent pendency to 10 months for first office actions and 20 months total pendency by 2014 and 2015 as noted in the Strategic Plan. Instead, these targets will now be met in 2015 and 2016 respectively.

IV.2.3 Fiscal Year 2012 Funding

The budget and appropriations for FY 2012 remain uncertain. FY 2012 began with the Office being funded under a Continuing Resolution, which is holding FY2012 appropriations to the level of FY 2011 appropriations. This means that the initial appropriations for FY 2012, and through the period of the Continuing Resolution, would be \$2.09 Billion. This would, once again, force a number of difficult decisions for the Office, such as potentially continuing the cost-cutting measures utilized in FY 2011. This potential impact to Office operations is all the more concerning for FY 2012 in light of the enactment of the America Invents Act. As discussed below, the Office will be required in FY 2012 to develop and implement the numerous provisions of the Act, including many new Rule Making packages, complete the

studies set forth in the Act, and incur significant other impacts to Office operations, which will be all the more challenging without sufficient appropriations.

Upon passage of a Federal Budget, it is currently believed that the Office will be given an appropriations amount equal to the fee collection estimate for the year, which would allow for the resumption of some of the activities slowed or stopped by FY 2011 appropriation limitations. There are a number of issues, however, that could impact this estimate appropriation.

It is imperative that the Office be given access to its full Applicant-generated fees to allow the initiatives started by the Office in key areas, such as the reduction of patent application pendency, work force initiatives, and IT infrastructure improvement, to continue.

IV.2.4 America Invents Act

The implementation of the America Invents Act will be a key focus for both the Office and the Committee in FY 2012 and beyond. While the Office and the Committee are committed to ensuring that these changes are implemented in the most appropriate manner, one of the most critical issues to proper implementation, and to the overall operations of the Office, is funding. This section will briefly outline the key provisions of the Act, the time frame associated with the change, and implementation required by both the Office and the Committee.

- ♦ **Major Provisions Impacting Office Funding:** There are several important provisions to the America Invents Act that impact Office funding:
 - **15% Surcharge:** The America Invents Act provides for a 15% surcharge on major patent fees within the existing fee schedule effective as of September 26, 2011. This surcharge has been widely endorsed by the Applicant community, but this endorsement relies almost entirely on the ability of the Office to maintain full access to these additional fees.
 - **Fee Setting Authority:** The America Invents Act gives the Office the authority to set its own fee schedule for any fee established, authorized, or charged under the Patent Act as part of its Rule making process, rather than requiring a legislative process. Fees may be set or adjusted to recover the aggregate estimated costs to the Office for processing, activities, services, and materials relating to patents, including administrative costs of the Office with respect to such patent fees. This fee setting authority is necessary to give both the Office and the Applicant community the agility and flexibility to set and adjust fees by regulation to properly establish and align fees in a timely, fair and consistent manner without the inherent time impediments of the legislative process.

The fee setting authority commenced immediately upon enactment, but given the procedural requirements of the Act, the process to set fees may take between 12 months and 18 months. Prior to any fee change, there will be an internal comment period (including review by the Committee), public hearings, and publication for comment of the proposed fee changes.

The Committee will have an expanded role regarding fee setting under the Act. The Committee must review the proposed fee change prior to the publication of the proposed fee change in the Federal Register and provide comments, hold a public hearing regarding the proposed fee change, and issue a report with comments and recommendations that must be considered by the USPTO prior to setting or adjusting the fee. The Committee looks forward to this new role and hopes to assist the Office and the Applicant community to establish the most appropriate fee structure for all stakeholders.

- **Full Access to User Funds:** The America Invent Act does not guarantee full access to Applicant-generated fees, as discussed above, but does create a “Patent and Trademark Reserve Fund” into which all fees in excess of the appropriated amount would be deposited. Fees in the reserve fund are available only for Office operations, but these funds are only made available to the Office “to the extent and in the amounts provided by the appropriations Act.” The possible lack of full access to Applicant-generated fees is a significant concern for the Office and the Committee.
- **AIA Funding Recommendation:** The Committee most strongly recommends that the Office be given full access to its Applicant-generated fees in order to continue the day-to-day operations of the Office and to implement the numerous changes to Office procedures required by passage of the America Invents Act. Forcing the Office to implement the America Invents Action without full access to its Applicant-generated fees would create an untenable situation that jeopardizes many of the Office initiatives, as well as the proper implementation of the America Invents Act. Again, it is important to emphasize the Applicant endorsement of the 15% surcharge and Office fee-setting authority is premised upon full access to Applicant-generated fees and any lack of such full access to Applicant-generated fees is likely to cause a significant backlash from the Applicant community.

♦ **Major Provisions Impacting Patent Operations**

- **First Inventor to File/Grace Period:** These provisions change the U.S. system such that entitlement to a patent is granted to the first-inventor-to-file for a patent. This change largely conforms U.S. law to the rest of the world. A number of changes to the Manual of Patent Examining Procedure (MPEP) is required to implement this provision, including changes to the definition of prior art and the elimination of interference proceedings as these changes phase in over time. Significantly, the Act provides derivation proceedings, a mechanism by which a petitioner who is currently a patent applicant can seek cancellation or refusal of the claims in an earlier patent or application if an inventor named in the earlier patent or application derived the invention from the petitioner and filed the earlier patent application without authorization by the petitioner.

These provisions are effective eighteen (18) months after enactment of the Act (i.e., March 16, 2013). Rule Making is not apparently required for implementation of the basic change to first-to-file, but the Committee looks forward to working with the Office to issue Applicant and Examiner guidance relating to these changes and rulemaking will be required for implementation of the companion derivation proceedings.

- **Public Citation of Prior Art:** A third party may submit references and a concise statement of the relevance of each reference to the USPTO while a patent application is pending. The submission will be entered into the record for consideration by the examiner. The deadline to submit references is the earlier of (1) a Notice of Allowance or (2) the later of six months from publication or the issuance of a first office action rejecting a claim.

For third party submission of prior art, the America Invents Act requires the USPTO Director within one year after the date of enactment to issue rules to implement these procedures. These rules will require public notice and comment.

- **AIA Operational Recommendation:** The Committee looks forward to working with the Office to help develop rules to most appropriately implement these new procedures.

♦ **Major Provisions Impacting Patent Trial and Appeal Board**

- **Post-Grant Review Procedures:** Post-grant review provides an opportunity to challenge the validity of recently issued U.S. patents, during the first 9 months after issuance. All issues of patent invalidity may be considered in addition to prior art, such as lack of enablement or written description. Parties must show that it is more likely than not that at least one claim is not patentable, or that there is a novel or unsettled legal question that is relevant to other patents and applications. Parties are estopped from raising in civil litigation or International Trade Commission proceedings any issue that was raised or could have been raised in post-grant review. The America Invents Act requires the Office to issue regulations for these procedures within one year after the date of enactment.
- **Inter Partes Review Procedures:** Replacing inter partes reexamination, inter partes review will be limited to grounds of anticipation or obviousness based on prior art patents or publications. Parties are estopped from raising in civil litigation or International Trade Commission proceedings any issue that was raised or could have been raised during inter partes review. The America Invents Act will require the Office to issue regulations for these procedures within one year after the date of enactment.
- **Derivation Proceedings:** An Applicant may file a petition to institute a derivation proceeding in the Office, setting forth the basis for finding that an inventor named in an earlier application derived the claimed invention from an inventor named in the petitioner's Application and, without authorization. Any such petition may be filed within the 1-year period beginning on the date of the first publication of a claim to an invention that is the same or substantially the same as the earlier application's claim to the invention. Upon the institution of a derivation proceeding, the Patent Trial and Appeal Board shall determine whether derivation occurred and, in appropriate circumstances, the Patent Trial and Appeal Board may correct the naming of the inventor in any application or patent at issue.

Implementation of the Derivation Proceeding will require Rule Making. It is important to note that First-inventor-to-file is not effective until March 16, 2013 (eighteen months after enactment of the Act), but, because a derivation proceeding necessarily involves an application filed after this transition, the first derivation proceeding is not envisioned for some time thereafter.

- **AIA Patent Trial & Appeal Board Recommendation:** The Committee looks forward to working with the Office to formulate Rules packages that most appropriately implement these new proceedings. In particular, the Committee welcomes new Chief Judge James Smith and is prepared to assist him with his efforts in implementing these changes. The Committee, however, remains concerned that without full access to Applicant-generated fees, the personnel and other resources necessary to properly implement these new procedures will further detract from the personnel and resources required to carry out the day-to-day operations of the Office and continue to work to eliminate the back-log of patent applications.
- ♦ **Overview of Studies and Programs Established by the America Invents Act:** The America Invents Act also provides that the Office be the lead agency for conducting a number of studies on the following topics:
 - **Overview of Studies:**
 - International Protection for Small Businesses, reporting on how to help small businesses with international patent protection, including a revolving fund loan or grant program to defray costs, due date 4 months from enactment;
 - Prior User Rights, reporting on the operation of prior user rights in other industrialized countries, due date 4 months from enactment;

- Genetic Testing, reporting on providing second opinion genetic diagnostic testing, due date nine months from enactment;
- Misconduct Before the Office, reporting on the impact of new statute of limitations provisions barring disciplinary action in response to substantial evidence of misconduct before the Office, due date every 2 years;
- Satellite Offices, reporting on the rationale for selecting the location of satellite offices, progress in establishment, and achieving identified purposes, due date 3 years from enactment.
- GAO NPE Study Section 34 Reference

▪ **Overview of Programs:**

- Virtual Marking, reporting on the effectiveness of the virtual marking as an alternative to physical marking articles, due date 3 years from enactment; and
- Implementation of AIA, reporting on how the AIA is being implemented by the USPTO and its effect on innovation, competitiveness and small business' access to capital, due date 4 years from enactment;
- In addition, the Office will consult on two additional studies. One on the effects of first-inventor-to-file on small business with lead agency being the Small Business Administration. The other on patent litigation with the lead agency being the Government Accountability Office.

- **AIA Study & Program Recommendation:** The Committee encourages the Offices efforts to conduct these studies and programs to better understand the potential impact of the America Invents Act and other issues on the Applicant community and looks forward to assisting the Office in conducting these studies and programs. Once again, however, the Committee remains cautious about the impact that these studies and programs may have on the personnel and resources required to carry out the day-to-day operations of the Office and continue to work to eliminate the back-log of patent applications without full funding. The Committee also recommends that consistent with such resource constraints, that the Office ensure that full and fair hearings and involvement of relevant stakeholders be made for each such study.

♦ **Office & PPAC Efforts Regarding Small Entities & Individual Inventors**

While the America Invents Act will have a significant impact on all Applicants, the Committee is particularly interested in the impact of these changes on small entities and individual inventors, because this group typically has less resources available to fully understand and quickly respond to the numerous changes in the America Invents Act. As discussed in greater detail in the Outreach Section, *infra*, the Office, assisted by a number of the members of the Committee, has taken numerous steps to educate the individual inventors of the impact of these changes. The Committee encourages this outreach to better provide assistance to individual inventors and smaller entities.

The America Invents Act also contains provisions directed to individual inventors and other small entities. In addition to the Studies and Programs described above and in the Outreach Section, the Act provided for the immediate establishment of a "micro-entity" category that allows for reduced fees for certain Applicants. Prior to enactment of the Act, there was a 50% reduction in fees for Small Entities, under 35 U.S.C. § 41(h)(1). The Act maintained that 50% reduction in fees for these Small Entities and created a 75% reduction in fees for an Applicant that qualifies as a Micro Entity under 35 U.S.C. § 123 (as added by the Act). The Micro Entity qualifications include the number of applications previously filed by the inventor and the income of the inventor.

♦ **Impact of the America Invents Act on the Committee**

As discussed above, the enactment of the America Invents Act creates an expanded role for the Committee with respect to the Office's new fee setting authority, requiring the Committee to review the proposed fee change and provide comments, hold a public hearing regarding the proposed fee change, and issue a report with comments and recommendations that must be considered by the USPTO prior to setting or adjusting the fee. Moreover, enactment of the Act also increases the volume of anticipated work under the Committee's existing advisory role regarding implementation of many other provisions of the Act. Given this expanded role and increased workload, the Committee is concerned with its statutory time restrictions.

Currently, pursuant to the:

- PPAC Charter (§D.1); and
- Federal conflict of interest laws applicable to Special Government Employees ("SGE"). [Note: The calculation of days worked is relevant to determining both SGE status and the extent to which the restrictions of 18 U.S.C. § 203 and 18 U.S.C. § 205 apply to a SGE.]

The Committee is limited to sixty (60) days of Committee work per member per fiscal year. Because a day has been interpreted as any day on which a Committee member spends 15 minutes or more on Committee business, this limit imposed a severe burden on each member of the Committee and on the work of the Committee as a whole. While the members of the Committee attempt to schedule a number of Committee activities for the same day to better utilize this 60-day limit, this is not always possible given the volume of work and short turn-around times often required by the Act and requested by the Office.

Accordingly, the Committee strongly recommends that this limitation be adjusted to allow the members of the Committee to fulfill their obligations in a more thoughtful and professional manner. Specifically, the Committee recommends that the 60-day limit be maintained, but that the definition of a "day" should be changed to a full 8-hour day. Thus, rather than have as little as 15 hours per year for Committee work (60 days times 15 minutes per day) each rolling calendar year, each Committee member should be permitted to work up to 480 hours of Committee service per rolling calendar year.

IV.2.5 Telework Enhancement Act of 2010

The Telework Enhancement Act of 2010, Public Law 111-292 (H.R. 1722, 111th Congress), includes provisions to enhance Telework throughout the Government as well as Office-specific provisions. The Office has formed an Office Oversight Committee to assist in best implementing the Office's new flexibility to expand its current Telework program, including, specifically, the waiver of the "twice a bi-week" reporting requirement. By lifting this bi-weekly reporting requirement, it is hoped that the Act would help the Office to recruit and retain its highly skilled workforce both within the 50-mile radius and throughout the United States, while minimizing the costs associated with workforce expansion.

IV.2.6 Major Rules Packages Promulgated by the Office in Fiscal Year 2011

In addition to any Rules packages required by enactment of the America Invents Act, the Office issued a number of major Rules packages during FY 2011, as follows:

- ♦ **Therasense/Rule 56 Disclosure Requirement**: The Office published a Federal Register notice proposing that the Office conform its materiality standard for complying with the duty of disclosure to that set forth by the Federal Circuit in Therasense, Inc. v. Becton, Dickinson & Co., ___ F.3d ___ (Fed. Cir. 2011). The Office stated in the Notice that it believes having one standard for both patent prosecution and patent litigation will make it easier for applicants and attorneys to comply. The new standard will require applicants to submit information and

references that are clearly material to the patentability of patent claims, but should keep them from over-submitting references of marginal importance.

The Notice states that the Federal Circuit granted a safety net from the straight “but for” test. The Federal Circuit’s test, often characterized as “but for plus”, deems information material if the patent claims would not have issued “but for” the withholding of the information from the Office or if the conduct in withholding such information constitutes “affirmative egregious misconduct.” The Office requested comments to this proposed rule change by September 19.

- ♦ **Patent Term Adjustment:** On April 6, 2011, the Office announced proposed changes to the Patent Term Adjustment (PTA) rules that would award PTA for Office delay when an Examiner reopens prosecution after a notice of appeal has been filed. The Office proposed treating an examiner’s decision to reopen prosecution after a notice of appeal as a “decision in the review reversing an adverse determination of patentability” under 35 USC § 154(b)(1)(C)(iii). Accordingly, the PTA award “would equal the number of days in the period beginning on the date on which a notice of appeal . . . was filed . . . and ending on the date of mailing of the Office action under 35 USC § 132 or a notice of allowance under 35 USC § 151.”
- ♦ **Prioritized Examination (Track 1):** The USPTO has issued rulemaking supporting the implementation of “Track I” of the three track examination program announced last year. The Office is still considering public comments on other aspects of the three-track program, but has moved forward with Track I as required by the America Invents Act within 10 days of its enactment. Applications accepted into Track I are accorded special status and placed on the Examiner’s special docket throughout prosecution before the Examiner (but not the Board), with the goal of providing a “final disposition” within twelve months. An application must meet certain requirements to qualify for fast-track examination and responses must be filed without taking an extension of time to retain fast-track status.

IV.2.7 Committee Legislative Recommendations

The implementation of the America Invents Act will be a key focus for the Office and for the Committee in FY 2012 and beyond. While the Office and the Committee are committed to ensuring that these changes are implemented in the most appropriate manner, one of the most critical issues to proper implementation, and to the overall operations of the Office, is funding. The Committee most strongly recommends that the Office be given full access to its Applicant-generated fees in order to continue the day-to-day operations of the Office and to implement the numerous changes to Office procedures required by passage of the America Invents Act. Forcing the Office to implement the America Invents Act without full access to its Applicant-generated fees would create an untenable situation that jeopardizes many of the Office initiatives, as well as the proper implementation of the America Invents Act.

IV.3 IT Systems & Infrastructure

IV.3.1 Overview

In this Section of the Report, the PPAC describes the progress made and recommendations for improving patent examination and processing at the USPTO. We will address the information technology (IT) system as a whole, as being improved under the Office of Chief Information Office (“OCIO”), and as being implemented by individual teams tasked with Process Reengineering (“PRE”). The OCIO and Process Reengineering teams are working in parallel and in collaboration to identify and remedy deficiencies in the current patent processing systems.

IV.3.2 Missions of the OCIO & Process Re-Engineering Teams

The USPTO has embarked on an Agency-wide effort to identify inefficiencies and unnecessary delays in many operations. The overall goal of this effort is to provide more timely and high quality processing of applications from filing through issue and beyond. Improvements in processing could improve quality of the patenting process and lead to more rapid creation of companies to take advantage of our culture of innovation. Central to this mission is the creation of a modern information technology (IT) infrastructure that will be the framework for improvements in processes within the Office.

The Patent Office originally based its operations on a large number of physical files (“shoes”). Patent examination required Office personnel to take physical possession of each file, carry out the different processes (classification of claims, prior art search, examination, drafting of Office Actions, responding to Applicants’ replies to the Office Actions, and ultimately, issuance of a paper patent to the patentee). Although this approach worked in the 1800s and early 1900s, it became apparent that reliance on physical files was outdated, slow and unable to keep pace with the filing of patent applications in the 20th century. As a result, the Office processes had to be updated.

During the 1980s and 1990s, the Office created an IT system based on electronic images. The result of moving to an electronic, image-based system enabled the Office to move away from the physical file as the primary source, and instead, to use then-modern computer-based processes still in use today. Although the move to an IT based system improved patenting processes, image-based systems do not permit use of 21st century IT technology. Therefore, even with the improvements already in use, the number of patent applications has increased dramatically, and the Office suffers from a backlog of unexamined applications. Although the computer systems now in use have permitted increased efficiencies, image-based systems suffer many of the same problems as the old physical file system.

Instead of attempting to remedy the above problems through incremental improvement in the image-based system, the OCIO has devised an overall structure for a new IT system based on interactive, text-based system (e.g., using extensible markup language, “XML”, the data format of the internet). An interactive, text-based system would permit Office personnel to use modern IT hardware and software to produce a system that is scalable and flexible, and that does not lock the Office into outdated technology.

Agile development methodologies have been implemented by a number of private companies and organizations, and there is an increasing body of knowledge about successful Agile development. The current Chief Information Officer brings years of experience in Agile development to the USPTO, and has been successful in identifying basic needs for a new, text-based IT system. As the prototype system becomes implemented for patent reexamination (the Central Reexamination Unit “CRU”) Office personnel are learning the advantages of text-based processing. As other units in the Office integrate into the new IT infrastructure, Agile development permits a much more rapid and effective use of Office personnel.

We believe that the USPTO is using industry best practices, developing the new IT system iteratively, allowing both for immediate benefits of the system and the ability to adapt to rapidly changing needs of

the user base. In addition to using an agile development approach, the OCIO is leveraging a Service Oriented Architecture (SOA) allowing separate applications, or services, to be integrated into the system and used across the Office. If well-implemented, such a system should be free from constraints of legacy systems, be flexible, scalable, and leverage modern technologies, use open standards, and be well documented and readily supported.

As a result of the “modular” system design allows through SOA, it will be easier to monitor, evaluate, modify, or replace a particular application, if and when modifications or replacements are needed. Through a series of Agile iterations, additional functionality will be delivered and examiners are expected to begin using the new tools in FY 2012. Although these are ambitious goals, the PPAC is pleased that such substantial progress has already been made.

Although moving to a text-based IT system has been done by many organizations, the large scale of the USPTO operation, and the public nature of the process seems to have limited the speed of its implementation.

One key element is funding, which is rate limiting. The Committee notes that during 2010, funding for the new IT system was cut from \$30 million to \$8 million. This dramatic reduction in funds has stifled many needed initiatives, including implementation of improved hardware and software. Without significant resources applied over a sufficient time period, the development of any new IT system is necessarily delayed. At this critical time in creation of the new IT system, the Committee believes that such cuts are counterproductive and will result in significant delays in improving the patent system, with the potential consequent threat to the United States’ position in the World innovation ecosystem.

IV.3.3 IT Systems & Infrastructure Progress In 2010-2011

Since our last Report, the PPAC has noted that substantial progress has been made in the following areas.

♦ **Improve IT Infrastructure and Tools**

- **Establish Cost-Effective, Transparent Operations:** The USPTO 2010-2015 Strategic Plan calls for establishing a cost-effective, transparent system for patent office operations. The PPAC applauds this effort and agrees that the current plans for establishing such a system have already shown improvements and will continue to be very useful to USPTO personnel and users. The new system will accommodate internal and external users’ abilities to rapidly gain access to information about patents, the patenting process, and to effectively communicate with each other.
- **IT Systems & Infrastructure:** During 2010-11, the OCIO and IT development team have made significant progress in spite of the reduction in funding. Progress has been made in deploying new hardware, software and training. This progress has led to creating of a prototype IT system that is being implemented in the Central Reexamination Unit (CRU) to support reexamination of patents.

The USPTO has provided patent examiners with new desk-top hardware, modern laptop computers that have the capacity to run current software and are compatible with newly developed software developed using agile processes. As of the end of the fiscal year, the OCIO has deployed over 5,000 Universal Laptop (UL) computers, particularly within the Office of the Chief Financial Officer (CFO), OCIO and Office of General Counsel (OGC). Additionally, deployment of the ULs in Technology Centers (TCs) 1600, 2900, 2100 and 2600 have been completed, and TCs 2800 is in progress. The Committee believes that completing the rollout of the new hardware and software is crucial for providing proper platforms for examiners to carry out day-to-day tasks, training and buy-in from Office personnel.

The Office has added additional service desk agents to handle Examiner's concerns about the IT system. The average time required to answer such calls has been reduced from about 8 minutes per call to less than about 1 minute. The OCIO is also working with business unit management to implement an Automated Problem Service capability to further reduce time spent on problem calls by Examiners.

Periodically during 2010, the USPTO IT system has been hard pressed to keep up with the increasing needs of Office personnel. Examiners have experienced significant delays in using the current IT system, particularly during days of heaviest use. The OCIO has identified some of the factors resulting in such delays and are taking remedial action.

The PPAC appreciates the OCIO and the USPTO's assessment that the current image-based IT system is in need of replacement. Personnel engaged in this effort worked in a collaborative fashion with others at the USPTO to identify and implement a new IT structure. Since our last report, the OCIO has determined that instead of using an outside integrator to develop the basic architecture needed to support Agile development, this process is more efficiently carried out within the Office. This has permitted the Office to create a basic IT architecture better suited to the particular requirements of the USPTO.

The Committee recommends continuing the development of a text-based IT system using Agile, and looks forward to further implementation of ULP in all TCs and for implementation of modules to address the significant Process Reengineering challenges facing the USPTO.

- **User Experience & Tools:** During the past year, the OCIO and USPTO have been working with PPAC to identify and develop ideas for improving the experience of users and to develop IT tools that will further the goals of developing efficient, cost-effective operations. We have seen development of surveys to be submitted to outside stakeholders to solicit ideas about new services and features to be provided. Outside stakeholders also provide feedback concerning ongoing efforts to provide improved services to Applicants. The Committee believes that such outreach is vital to ensure that the new IT systems meet user requirements and keep up to date. The PPAC thanks the OCIO and USPTO for these efforts, and we are willing to provide any assistance.

- Internal Stake-Holders: There are two on-going activities. One focuses on internal stakeholders (Examiners and other USPTO personnel "Inreach"). This effort has resulted in formation of an IT re-engineering team that provides input on designs and tools that will be useful for USPTO personnel. The Committee believes that internal aspects of the reengineering project are likely to have significant impacts on external stakeholders. For example, the PPAC recommends that the USPTO investigate and implement procedures that would reduce the number of individuals that must "touch" a patent application during processing. Reducing the number of transfers of applications between individuals and working groups will reduce delays in processing applications.

During the past year, the USPTO has implemented use of Examiner Surveys as part of its program to improve patent examination quality and reduce pendency. As use of such tools become more widely used within the Office, the Committee believes that inefficiencies can be identified and best practices be further developed.

- External Stake-Holders: The second activity focuses on needs of external stakeholders (Applicants and members of the public, "Outreach"). The PPAC

has provided initial suggestions for tools useful for external stakeholders. In one effort, the PPAC in coordination with external stakeholders developed a survey that could be used to identify and gauge potential improvements. PPAC also proposes to work with the USPTO to obtain input from external stakeholders through a series of roundtable discussions and solicitations of ideas through Federal Register Notices.

The USPTO has furthered its evaluation of desktop collaboration tools for enhancing telephonic interviews and for reducing the need for hoteling Examiners to travel to the Office for interviews. It was reported at a recent meeting that several collaboration tools are being evaluated and that they can permit Examiners to follow a presentation visually, during a telephonic interview. It was reported that Examiners will appreciate this tool as an effective adjunct in the interview process, particularly when crafting amended claim language.

During the past year, the USPTO has incorporated comments and suggestions from outside stakeholders regarding ways of improving patent examination quality and reducing pendency. The Committee recommended several objective metrics, and looks forward to their incorporation. Discussion of these areas is provided elsewhere in this Report (Quality and Reducing Pendency).

IV.3.4 Committee IT Systems & Infrastructure Recommendations

The PPAC believes that the efforts so far have produced valuable results, and encourages the OCIO and USPTO to rapidly address the following areas.

- ♦ **Provide Stable Funding**

- Permit the USPTO to retain all fees generated from users
- Create a fund to permit the USPTO to have predictable funding from year to year

- ♦ **Continue On-Going & Planned Infrastructure Remediation & Upgrades**

- Continue migration to a text-based IT system
- Expand network capabilities
- Provide strategic desktops
- Improve cyber-security
- Continue Agile development of new Process Reengineering tools
- Implement new PRE tools

♦ **Continue Extending Stake-Holder Outreach: Internal & External**

- Expand access to USPTO data and knowledge through the web
- Establish partnerships with stakeholders, industry and other Intellectual Property organizations.
- Improve website with modern assistance technologies
- Expand the development, acquisition and use of collaboration tools

Central to each of the above recommendations is predictable and sufficient funding; access to all user fee collections. Patent applicants, not general taxpayer funds, support USPTO operations. Access to all user fees collected is necessary for the innovators that the United States has relied upon to become one of the most important sources of new industries, companies and products sold throughout the World.

Therefore, the Committee highly recommends that the USPTO be fully funded, and in particular, further, sustained investment be made in the new text-based IT system. Because the USPTO is solely funded by user-generated fees, no tax revenue is needed or contemplated. Rather, the Committee wholeheartedly supports provisions of the Leahy-Smith America Invents Act (AIA) that provide for retention of all USPTO-generated fees by the Office. Under the AIA, a revolving fund (S. 23) or a reserve fund is created, and funds generated by user fees remain available to the Office through the fund.

IV.4 Process Re-Engineering

IV.4.1 Overview

The USPTO has made substantial progress in identifying inefficiencies in its operations and providing remedies. As of April 2011, the USPTO has provided comprehensive reports with recommendations addressing Restriction Practice, Double Patenting, Color Drawings, Classification and Transfer, Enhancing Technical Knowledge, Central Reexamination, Pre-Examination, Post-Examination, Applicant Office Interfaces, and Information Disclosures. This has been accomplished by the formation of a “Reengineering Team,” tasked with setting up and coordinating efforts of individualized Working Groups, each of which addresses a limited number of issues. The teams were created to take advantage of the experiences of internal and external stakeholders in the patent process. Identifying and removing inefficiencies will lead to improved patent processing.

The PPAC believes that it is imperative that the USPTO have the authority to retain and use all of the fees it collects, as provided in the AIA, to provide the resources needed to increase efficiency, timeliness, and customer satisfaction.

Many of the Reengineering programs will be enhanced by a new IT infrastructure discussed above that will support a fully electronic patent system (Patents End to End, “PE2E”), a text-based system and not the current image-based system. These improvements could result in increased investment in technology and confidence in the patenting process, which could increase investment in companies.

IV.4.2 Re-Engineering Approach

An overarching concept in improving patent processes involves use of “Lean 6-Sigma.” The general approach with Lean 6-Sigma is to identify areas of inefficient use of personnel and resources, identify root causes of inefficiencies, reduce duplication, reduce the number of individuals who “touch” a case matter, and thereby improve efficiency, timeliness, and reduce cost.

These concepts are being applied currently to separate Working Groups, each of which is tasked with analyzing current programs, identifying improvements to increase efficiency, and producing documents with action plans for their implementation. In many cases, the USPTO has worked with other National Patent Offices (IP 5: China, Korea, the European Patent Office and the Japan Patent Office) to improve coordination, simplification and thereby take advantage of work sharing. More about these collaborations are described elsewhere in this Report.

The Reengineering process is divided into three Phases. Phase I involved several working groups addressing initiatives considered to be of a time-sensitive nature, require immediate attention, and/or can be implemented rapidly. Phase I was completed in June 2011, with over 200 specific recommendations. If all of those recommendations are implemented, the USPTO estimates millions in annual cost could be realized. Phase II processes are in early development and will include addressing Sequence Listings, Petitions, Cooperative Patent Classification and Application/Publication Number Format. Phase III will include addressing National Stage (“371”) application, Pre-Appeal and Appeal, Internal Data Requirements, Support Staff, and other near-future projects.

IV.4.3 Descriptions of Process Re-Engineering Initiatives

The Committee has placed Working Groups into categories below. This is done to focus on the issues identified by outside stakeholders and Committee members that have immediate impact on Applicants' major concerns. The Committee appreciates that there is overlap between many of the Working Groups. This overlap does not represent redundancy, rather, the overlaps provide opportunities for the individual groups to take advantage of experiences of others, and thereby increase the efficiency of the efforts. The Committee notes that during 2010-2011, Process Reengineering has been a high priority of the Office, and we appreciate the progress that has been made. Focus areas in this effort include:

- ♦ **New IT Infrastructure**
 - Text-based IT System and implementation
 - Patents End to End (PE2E)

- ♦ **Improvements in Office/Applicant Relations**
 - Restriction, Unity of Invention, Election of Species
 - Information Disclosure
 - Pre-Examination Streamlining
 - Rapid Handling of Petitions
 - Post Examination Streamlining
 - Central Reexamination Unit (CRU)
 - Reissue
 - Applicant/Office Interface
 - Surveys

- ♦ **Improve Quality and Reduce Pendency**
 - RCEs
 - Case Transfers: Central Transfer Unit (CTU)
 - Pre-Examination Office Actions
 - Clearing Out Old Patent Applications (COPA)
 - Stuck Case Cleanup
 - Enhancing Technical Knowledge among Examiners

- ♦ **Harmonization**
 - PCT
 - Classification

- ♦ **Overall Efficiency**
 - Elimination of Forms
 - E-Petitions: Color Drawings & Terminal Disclaimers
 - Sequence Listings

- ♦ **Internal USPTO Measures**
 - Management Operations
 - Technical Support Staff
 - Application Numbering System
 - Internal Data Requirements
 - Business Catalog
 - Workflow System Functionality/Business Rules

- ♦ **Board of Appeals**

IV.4.4 Progress Made during 2010-2011 & Recommendations for 2012

This section of the Report begins with analysis by the USPTO Process Reengineering Teams' progress during 2010-2011 and provides discussion of both short-term and long-term recommendations. Many of the improvements in Office processes are best addressed along with implementation of a fully electronic Patents End To End ("PE2E") project. By September 2011, the PE2E Team had made substantial progress in developing business and technical requirements, building the high-level physical architecture, building project environments to permit insertion of service modules for individual Reengineering projects, and is now creating the software and other deliverables.

♦ Interim Recommendations for Phase I

The PRE provided certain interim recommendations that can be implemented in the current "legacy" IT system. The Committee believes that these short-range solutions will improve overall processing, they are temporary "fixes" based on the current out-dated IT system. When the new IT system is implemented, the Committee recommends reevaluation of these interim recommendations.

- **Improve Search:** This Working Group recommended integrating dynamic data into new collaboration and examination tools. This Work Group recommends developing a scalable "search assistant" that is integrated with the collaboration tools and captures and visibly organizes existing search interactions. Such a system will provide search assistance and resources to examiners currently in a geographically diverse workforce. Because this system would improve search capability now, the Committee believes that this recommendation should be followed.
- **Improve Classification & Reduce Transfers:** The current Classification system has resulted in about 15% of cases being transferred from Technology Centers or Art Units to other entities within the USPTO. The PPAC believes that this inefficiency is very undesirable, as it delays the start of patent examination. This Working Group recommends centralizing patent claim classification. Improvements in Classification are being discussed in a collaborative fashion with other National Patent Offices, and in particular the European Patent Office, which uses the 'ECLA' system. The PPAC believes that moving to a more universal classification system will increase efficiency by enabling USPTO personnel to take better advantage of searches carried out by other National Patent Offices, thereby reducing rework and redundancy.

This Working Group also recommends creation of a Central Transfer Unit (CTU) that will rapidly resolve issues related to transfers of applications. Reducing the number of times an application is "touched" can save the USPTO millions per year, and for some cases that otherwise would be unduly delayed by transfer, this proposal could reduce the time needed to begin examination. The Committee believes that this recommendation be implemented as soon as possible.

- **Post-Examination Streamlining:** The Post-Examination Working Group proposed an e-Grant system as an interim solution to the problems of delays in issuing allowed patent applications for which all matters (including payment of the Issue Fee) have been completed.

The Committee believes that this improvement will decrease delays in granting patents, and therefore will provide patentees better service. The Committee also notes that during 2010, the overall time taken between payments of the Issue Fee to Issue, has decreased. Although the Committee does not have statistical data to report, we commend this trend to more rapid issuance.

- **Restriction Practice:** The Restriction Practice Working Group recommends that patent Applicants be required to elect claim 1 (first claimed invention) in the event of a restriction. Currently, claims are classified based on the most comprehensive claim. This change would streamline classification of the application and direct the application to the proper Art Unit for the first claim.

The Committee believes that restriction practice must be improved. Currently in some Technology Centers, applications are restricted too much, and for reasons not related to the scope of the overall subject matter sought to be patented. A patent Applicant submits claims covering what is believed to be the proper scope. However, because Examiners may restrict claims based on “search or examination burden,” many Applicants remain frustrated by the inability to have a full set of claims examined, and are forced into the expensive Divisional practice, with the concordant delay and loss of effective patent term. The Committee believes that in the short-term, restriction practice could be improved through greater training and supervision of Examiners and the elimination of subsequent restriction requirements in applications, including Divisionals.

Although this recommendation is in line with the European Patent Office’s operation of selecting groups under Unity of Invention practice, the Committee believes that this proposal would be superseded by an improvement in substantive Restriction practice, or replaced by a move to a European style Unity of Invention standard.

- **Terminal Disclaimers:** The Applicant/Office and Double Patenting Working Groups proposed electronic filing of Terminal Disclaimers using structured text. By moving to an e-Terminal Disclaimer process, the USPTO will save tens of thousands of dollars each year by elimination of manual processing.

The Committee agrees with this proposal, and believes that there would be a saving in time needed to process Terminal Disclaimers. Further, the Committee believes that the USPTO’s move toward handling many routine Petitions electronically will save Applicants time and result in substantial savings.

♦ Long-Term Recommendations for Phase I

- **Applicant-Office Interface:** The Applicant/Office Interface Working Group (“A/O”) produced 64 recommendations. One is to improve Applicant and Examiner access to a pending application. If an Applicant has some limited access to the application, the Applicant can make changes (corrections of typographical errors in the specification, claims or drawings), and the Examiner can address issues of proper amendments and new matter, then an Application can be maintained electronically in a “publication ready” form, thereby saving time and effort in publication. Fees could be calculated automatically.

The Committee agrees with the goal, and looks forward to seeing how the USPTO implements such improvements.

- **Enhanced Technical Knowledge:** The Enhancing Technical Knowledge Working Group focused on improvements in delivering up-to-date knowledge between Office personnel. This Working Group recommended creation of an information agent or “virtual primary,” that facilitate communication between Examiners electronically, and if implemented, the USPTO believes that such an agent could increase patent examination quality by providing Examiners, their Primary Examiners, and SPEs with consistent up-to-date instruction. Such a system would be very useful for supporting a geographically diverse examination corps.

The Committee believes that such a system would have merit, and looks forward to seeing how the USPTO further analyzes the IT and other infrastructure issues needed to create such a system.

Improve Double Patenting Practice: In addition to the short-term e-Terminal Disclaimer recommendation above, The Double Patenting (DP) Working Group recommended improvements in identifying conflicting applications and patents, and obtaining metadata for each such conflicting entry thereby automating the search process for potentially conflicting applications. The Office estimates that about 10% of applications involve Non-Statutory Double Patenting issues, and cost the Office millions annually for searching alone related to first Office Actions on the merits. The Committee understands the magnitude of the problems with double patenting, and believes that a new IT infrastructure would address many of the issues identified.

- **Information Disclosure (IDS):** The Information Disclosure (IDS) Working Group identified paper submissions from Applicants as a substantial cost and time delay. The Office currently estimates that many FTEs for IDS data entry, significant contractor costs for document indexing/scanning, and redundancy on the issued patents with IDS problems could be saved by moving to a single, electronic submission tool. Use of such a tool could eliminate paper submissions with the attendant cost savings.

The Committee agrees that the IDS practice is currently very time consuming and may not be the best way of identifying the best prior art. The Committee notes that the USPTO recently proposed moving to a new standard for IDSs based on the “but for-plus” approach taken by the Federal Circuit in the *Therasense* case.

The Committee believes that the “but for-plus” standard is more certain than the current 37 C.F.R. 1.56 rule, and recommends implementation of the new standard. This could save Applicants time, cost of complying with the “reasonable examiner” standard, and further, recommends that the USPTO, in its new rulemaking, provide specific guidance and/or safe harbors regarding what types of information an Applicant need not disclose in an IDS.

The Committee recommends incorporating, as one potential approach, a new tool into the IT system that would permit an Applicant to simply list a series of references on a form, and then have the IT system search available databases (USPTO patents/application database, WIPO database, Medline, Derwent, etc) and have the references automatically downloaded into the electronic file at the USPTO. The Committee also recommends that the new tool permit an Applicant to indicate which other applications (Continuations, CIPs, Divisionals, Related Applications, and foreign counterparts) may have relevant information. Then the new tool would automatically download into the application file, prior filed IDSs, search reports (WIPO, EPO, JPO etc), Office Actions, Examination Reports and Replies. The Committee believes that such a new IT tool would save time, money and improve accuracy and completeness of such submissions, and alleviate demands for exhaustive and repetitive cross-citing of materials in co-pending applications.

- **Pre-Examination Streamlining:** The Pre-Exam Streamlining Working Group analyzed current pre-examination practices and recommends improvements in fee processing, indexing, scanning, routing, formalities review and Pre-Grant classification and publication. This Working Group recommended automated data entry and formalities review using structured text. Capture of text data including Title, Inventors, Continuity, Priority and other data for preparation of Filing Receipts would have high impact. The Office estimates that with full implementation of automated data entry, the cost savings could be millions annually, and would increase accuracy, quality and decrease

pendency. The Office estimates that hundreds of thousands of informalities objections would have been enforced automatically and thereby avoided.

The Committee thanks the Office for this initiative and believes that it should be implemented. As with other PRE recommendations, the Committee believes that a new text-based IT infrastructure is desperately needed, and that the full funding necessary for the move to the new IT system be made available.

♦ **Additional Recommendations**

The Committee believes that rapid identification of opportunities for improving patent processes, and implementing remedies should be a high priority. In addition to the topics addressed above, the Committee makes the following recommendations.

- **Petitions:** Currently, Petitions are handled outside the usual docketing system used by Examiners during patent examination. Applicants have noted that in certain cases, prosecution is delayed by inordinate time needed to have Petitions addressed and resolved. Rapid analysis of Petitions is essential to reducing pendency and improving examination quality. Petitions that are dismissed are particularly difficult, because unless a Petition is denied, there is no opportunity for Appeal. In some cases, delays in handling Petitions may lead to months or even years of inconclusive examination.

The Committee recommends that all petitionable issues be addressed promptly and completely, without unnecessary dismissals for lack of form or other non-merits reasons. The Committee recommends that all Petitions be placed on a docket, with a well-defined time frame for resolution, in a fashion similar to examination docketing.

- **Surveys:** The Committee thanks the Office for its increasing use of Surveys in the IT area, and believes that increased use of Surveys of internal and external stakeholders can be an important source of valuable information about the needs of the users of the patent system.
- **Request for Continuing Examination (RCE):** Requests for Continued Examination (RCEs) continue to be a problem adversely affecting overall pendency. As of July, 2011, the Committee was informed that the rate of filing RCEs has slowed, and that as of that date, the RCE backlog was about 60,000 – 70,000 cases, up from about 17,000 in July of 2010. With the recent change in the Examiner Count System, RCEs were moved from the Examiner's amended docket (needing to be completed in 60 days) to on the Special New Case docket that does not require Examiners to respond in a sufficiently timely fashion. RCEs are counted as new applications upon filing but are not counted by the Office as part of the backlog. Thus, the approximately 700,000 cases in the backlog are actually only about 90 % of the total backlog. The Committee recommends that RCEs be counted in the backlog. Although RCEs are not literally "unexamined," they do represent a significant source of delay in allowing patent applications.

Despite changes to the examiner's count system, the Committee notes that there appears to be a regressive incentive on the part of some Examiners to "force" Applicants into filing multiple RCEs by failing to reach agreement about patentable subject matter. The Committee applauds the significant strides made by the USPTO in FY 2011 in reducing actions per disposal, thus increasing efficiency, and in increasing the allowance rate. The change in attitude initiated by upper management has led to dramatically improved interactions between Applicants and Examiners, resulting in more interviews and productive conversations resulting in the allowance of applications. These changes along with the training in compact prosecution have cumulatively had some impact and contributed to a slight drop in RCEs being filed. When an application

is allowed, there is no need to file an RCE. However, the significant increase in RCE backlog and the continuing high rate of RCE filing indicates that more efforts are required.

The Committee commends the Office and the Union (Patent Office Professional Association) for proactively working together to identify mechanisms and changes which could reduce the need for RCE filings. In particular, the Committee recommends that the Office work diligently toward providing a mechanism for Applicants providing newly identified prior art after payment of the Issue Fee without filing an RCE. Additionally, we recommend that the Office address improper final rejections and offer enhanced interviews which include impartial third parties, and other expediciencies to resolve issues and reduce the need for Applicants' filing RCEs. A significant improvement could be made if there were an alternative to filing an RCEs upon the receipt of prior art after payment of the issue fee. The PPAC recommends that the USPTO provide some mechanism for such submission by providing time for the Examiner to consider such prior art. The PPAC also suggests that enhanced interviews be provided to allow a more expansive discussion of the merits of applications with supervisors and quality assurance personnel with applicants. This could expand the already successful interview program to identify more allowable subject matter and reduce the number of RCE filing, as well as, the number of appeals to the Patent Trial and Appeal Board.

The Committee recommends that the Office increase Examiner training in proper grounds for issuing a Final Office Action, and recommends that relatively minor matters of form not be proper grounds for issuing a Final Office Action. The Committee commends recent efforts to better characterize those amendments which should be properly entered and looks forward to the completion of that list. The Committee urges the examination corps to increase use of telephone or in-person interviews to address minor issues that can move the application to allowance.

The Committee recommends that RCEs be moved back to the Examiner's amended docket and that time limits be reinstated for Examiners to respond to RCEs.

- **Stuck Case Cleanup and Clearing Out Old Patent Applications (COPA):** The Office's new focus on achieving the ambitious goals of having a First Action on the Merits by 10 months, and final resolution in 20 months has focused the Office's attention on stuck cases and cases over 16 months from filing that have been unexamined (the "tail"). Handling stuck cases and the COPA Reexamination Teams' efforts may be improved by identifying the blockages in each situation and taking appropriate action. Some cases become stuck because of difficulties in resolving petitionable matters, printer rushes, formalities issues, particularly difficult examination issues or other reasons. The Committee recommends that the Office continue to develop and implement plans to identify root causes for stuck cases. The PPAC is ready to assist in this endeavor.

The "tail" of the pendency graph has focused attention on the oldest cases to be examined. In some cases, the delay in examination may be many years. The Committee believes that addressing these issues will be improved in part by hiring additional examiners, and in part by reducing the number of times an application is transferred between TCs or art units. The creation of a Central Transfer Unit (CTU) will help the expeditious assignment of applications. In the event that there is a dispute about which TC, art unit or Examiner should examine a particular case, the CTU will have the authority to assign the case appropriately.

Because the workload of Examiners is very high, and not likely to decrease, addressing the challenges of hiring and retention of qualified Examiners remains a priority. The

Committee believes that the access to fees collected through the reserve fund established in the AIA is instrumental for the Office to reach its stated pendency goals.

- **Classification:** The Committee applauds the Office for its efforts to modernize and harmonize its Classification system with other Patent Offices. The Office is working cooperatively with the European Patent Office (EPO) to identify and incorporate elements of the ECLA Classification system. The Committee believes that this is a very productive endeavor, and encourages its further development.

By adjusting Classification, the USPTO will be able to take advantage of work being done by other Patent Offices, and thereby decrease duplicative efforts at classifying prior art, particularly foreign references. This project has a potential for improving quality by improving an Examiner's access to foreign prior art. By identifying the best TC and art unit, there may be fewer case transfers. By identifying the best prior art, there is likely to be a decrease in the number of rejections based on "new" or "cumulative" prior art. Further, harmonizing US Classification with those of other National Patent Offices will promote use of the Patent Prosecution Highway (PPH) and the SHARE program. The PPH and SHARE programs are discussed elsewhere in this Report.

- **Elimination of Forms, e-Petitions and Sequence Listings:** The Committee thanks the Office for its efforts to automate certain routine functions. Because many Office forms are now available on line, we recommend that all of them be fillable forms, suitable for filing either directly on line, or as PDF forms. The Committee notes that simplifying the process of preparing forms can save time, reduce cost, and reduce the likelihood of errors.

The Office now permits routine Petitions to be handled electronically, and is implementing an "e-Terminal Disclaimer" practice. The Committee also agrees with the Office's initiative that Petitions to Accept Color Drawings be automated. Additionally, the Committee recommends that submissions of Color Drawings electronically be routinely accepted, as black and white drawings are currently.

- **Management Operations:** The Committee was pleased to hear that the USPTO has taken seriously the implications of failure to address Process Reengineering, and that Management has embarked on several new programs. They include:
 - Patent Examiner Technical Training Program (PETTP): Over 3,000 Examiner and more than 30 organizations participated in this program as of July 2011. The Committee believes that this program will be significantly enhanced by full implementation of the Phase I and II of the Enhancing Technical Knowledge Working Group.
 - Examiner and SPE Training: The Office has approved up to 25 hours per examiner in 2011 for refresher and leadership development training. The Committee agrees with this initiative, and would like to see training increased. The Committee understands that Primary Examiners and SPEs require ongoing training to remedy past deficiencies and to develop understanding of the changing landscape of patentability. We also agree that SPEs are in a unique position of having been given management responsibilities in addition to maintaining high levels of expertise in examination. The Committee believes that without training in effective management skills, Examiners may not receive the proper, up-to-date guidance needed to properly address examination issues. The Committee also notes that the Office has introduced training in Negotiating the Patent Examining Process, which emphasizes cooperative problem-solving techniques while negotiating with Applicants to identify allowable claimed subject matter.

IV.4.5 Improving Patent Quality & Reducing Patent Application Pendency

The mission of the USPTO is to ensure that patent applications are accurately and expeditiously examined and either granted or rejected in accordance with the patent laws and rules. PPAC and the USPTO are aligned on the goal that the US patent system be the best system in the world. Accordingly, the USPTO has embarked on a long term initiative to find ways to improve patent quality and reduce patent application pendency and to adopt metrics to gauge progress.

During FY 2010, PPAC and the USPTO collaborated together and with the public to identify areas for improvement and additional metrics that can be used to drive future improvements. Many suggestions were received and the USPTO has been evaluating these ideas to determine which could be easily adopted without substantial legal or rule changes, and which may require information technology or legal and rule changes before implementation. The USPTO recognized that its information technology systems needed overhauling in order to adopt some of the proposed suggestions, and accordingly the USPTO has begun an entire process reengineering and Information technology infrastructure end to end redesign using lean six sigma techniques. Those aspects of the process end to end reengineering efforts which can now be made public are detailed in a separate section of this report. PPAC is supportive of the quality and pendency process reengineering effort that the USPTO has begun. PPAC would also like to remind everyone that quality improvement and pendency reduction is a continuous process, that there will always be areas where additional improvements can be made, and that in addition to process metrics focused on streamlining the process, additional metrics, for example, focused on the ultimate result determinations by the Board of Appeals and courts should, as recommended in PPAC's 2010 report, be evaluated and incorporated into the current metrics at the earliest convenience to further drive the desired quality outcomes.

In FY 2011, USPTO adopted a number of additional process metrics focused primarily on examiner compliance with internal patent office procedures and rules. The FY 2011 data for the new metrics has not yet been compiled and released, but when it does it should both serve as a baseline for future improvements and identify and prioritize areas for additional process improvement. The PPAC believes that the USPTO should adopt a few additional result metrics as suggested in the 2010 PPAC report at the earliest opportunity.

- ♦ **Compact Prosecution and COPA**: In FY 2011 the USPTO instituted a number of new process changes to improve quality and reduce application pendency. The two most important of these programs focus on the early and late stage of examination: The USPTO expanded the Compact Prosecution guidelines from a successful 2010 pilot in certain technology areas to the entire corps along with training for all examiners. The first action interview program was expanded so that applicants and examiners could discuss search results and applicants claims before a first office action to give applicants an opportunity to explain their invention to the examiner and distinguish it from the prior art. The Compact Prosecution process improvement has resulted in a substantial increase in patents being granted faster for those applicants availing themselves of the process. Other programs to accelerate applications such as for green technology are excellent and should be continued. Providing applicants with the flexibility to accelerate examination upon the payment of additional fees is desirable but PPAC remains concerned that giving applicants the flexibility to delay or defer examination under a proposed three track process may create undesirable, legal and economic uncertainty for others desiring to clear their products and avoid infringing upon the potential patent rights of others. Currently this aspect of the three track process has not been instituted and PPAC commends the USPTO for its reevaluation of this part of the proposal in view of public comments.

COPA is a program started in 2011 by the USPTO which focuses on a small percentage of applications which for one reason or another have the longest pendency within the office. The effort to reach closure on the examination of these outliers is important not only to those applicants but also to reducing the overall pendency statistics at the USPTO.

- ♦ **Overall Pendency, RCEs and the Count System**: For many years the USPTO focused their pendency statistics on the time to first Office action and considered total application pendency to end when an application was either granted, abandoned, appealed or refiled as a continuing application. During the past several years however, there has been a dramatic rise in the percentage of applications where real closure was not obtained as evidenced by an increasing percentage of requests for continuing applications (RCEs). There may be a number of root causes of the RCE expansion, but regardless of the reasons, the impact has been to extend overall application pendency. Since USPTO reported pendency data did not include the time for the extended examination of these related continuation applications, actual overall pendency data was much longer than the reported USPTO data would indicate. While the PTO has now begun to include overall pendency data that includes RCEs, the main pendency number most frequently reported does not include RCE pendency. PPAC commends the USPTO and the examiner's union for turning a focused attention on improving the RCE problem and is hopeful these efforts will both eventuate meaningful improvements, and serve as an exemplar for USPTO/Union cooperation in making further needed improvements for RCEs. PPAC commends the USPTO for making this change so that it can properly focus on reducing RCEs and actual overall pendency.

During FY 2011 as a result of a heightened focus on the appropriateness of Final Actions, the rate of increase in RCE filings has begun to drop. This is a good first indication that the USPTO's compact prosecution training efforts is starting to bear some fruit, however, more needs to be done and PPAC and the USPTO have discussed further changes in Final Action procedures in an attempt to substantially reduce RCEs and overall pendency. The USPTO has also been compiling a Quality Index Report ("QIR") which compiles data on examiner best practices, to identify practices that some examiners use to reduce RCEs and reduce pendency, and PPAC is hopeful that this data will be used by the Reengineering team. PPAC also commends the USPTO for issuing a best practices notice for applicants. This provides guidance for applicants to assist them in taking actions which can improve the quality of examination and reduce application pendency.

The USPTO still has a long road to reduce overall application pendency from the current state to the goal of about 2 years (20 months on average) from filing. In addition to additional process reengineering efforts to reduce process inefficiencies wherever they may be, additional examiner resources are clearly required especially in those technology areas where pendency is longest. Other improvements such as revising the unity of invention standard to harmonize it with that of the European practice are being evaluated by the USPTO to reduce examiner rework and lower pendency.

Overall Quality improvement and pendency reduction is in its early stages but the USPTO has taken the right affirmative steps, adopting changes where it can and reengineering in other places. PPAC recommends that the USPTO continue these efforts and hopes that the Office can expedite the improvement efforts even further in FY 2012.

The ability of the USPTO to improve quality and reduce pendency cannot be accomplished without the funds necessary for these process changes and for the hiring of additional examiners, and therefore as stated in many other portions of this report, PPAC strongly recommends that Congress place no restrictions on the USPTO's ability to access user fees to make the changes the USPTO is doing to achieve the long-range improvements that are needed.

IV.4.6 Committee Process Re-Engineering Recommendations Summary

- ♦ **Fiscal Year 2011 Actions by the USPTO**: In FY 2011, the USPTO undertook or further advanced several noteworthy initiatives directed at process improvement, including:

- Adoption of additional Patent quality metrics: process metrics: Awaiting results
 - Compact Prosecution: Including Expansion of First Office Action Interview Program
 - Ombudsman Program
 - Accelerate examination pilots
 - Green Tech accelerated exam pilot
 - Three track Examination pilot
 - Peer to Peer pilot extended
 - COPA: focus on resolving the oldest cases
 - QIR : identifying outliers in examination practices : best practices
 - Process reengineering effort begun
 - Change in USPTO definition of total application pendency: not just pendency to first O/A
 - Slight Reduction in growth of RCEs and re-evaluation of the count system
 - No reduction in application Pendency in FY 2011
- ♦ **Fiscal Year 2012 Recommendations for Further Action**: To preserve and build upon the efficiency gains obtained through process improvement in FY 2011, the Committee recommends that the USPTO further initiatives directed at process improvement, including:
- Expansion of quality metrics to include Result metrics as well as process metrics
 - Re-evaluation of FY 2010 quality improvement suggestions
 - Unity of Invention harmonization
 - New Actions needed to reduce Requests for Continuing Examination:
 - Modify After final options to include options other than filing of an RCE
 - Provide mechanism for the consideration of new prior art after the payment of the issue fee

IV.5 Outreach

On September 16th, 2011, President Obama signed into law the America Invents Act. This comprehensive overhaul of the patent system is intended to provide speed and certainty to the process of obtaining intellectual property in the United States. In addition to the significant procedural changes it ushers in, it also provides for a number of programs and studies intended to assist independent inventors and small businesses.

Contained within the legislation are provisions to conduct a number of studies. The first of these studies that has an impact on small businesses is the *International Protection for Small Business* report. This report must be completed within 120 days of enactment. In addition, a report on *Effects of First-to-File on Small Business* must be completed within one year.

Programs to assist independent inventors and small businesses are also incorporated in the America Invents Act. Taking effect immediately is the establishment of a Pro Bono program. This initiative is designed to encourage the filing of applications by independent inventors who may not have the financial resources to go through the patent process. In addition, a new Micro-entity status has been created that gives independent inventors and small businesses an additional 50% discount off the already discounted small-entity filing fee.

Within 6 months of enactment, the USPTO will create a Diversity of Applicants program, followed by the creation of a Patent Ombudsman for Small Business program within one year. These programs are intended to further assist the independent inventor community and small businesses.

Finally, the USPTO has created the *Office of Innovation Development*. This group oversees the USPTO's efforts to assist independent inventors, small business concerns and university affiliated inventors. The office also works closely with other officials and agencies throughout the government in support of the Administration's efforts to promote small business, entrepreneurship and job creation. The Innovation Development office designs and implements outreach programs to a wide range of groups including independent inventors, women, small business concerns, minorities, and other underserved communities.

The Office also assists the Agency's educational outreach programs that promote intellectual property protection and the valuable role it plays as a key driver of the American economy. Some specific examples of programs currently available include:

- ♦ **Inventors Conferences & Women's Entrepreneurship Symposium**: The IAP sponsors events for inventors and small business concerns nationwide. The USPTO makes supervisory patent examiners available to conduct breakout sessions. USPTO also invites resources from metropolitan area where the conference is located, such as Small Business Development Center (SBDC), Service Corps of Retired Engineers (SCORE), Patent and Trademark Depository Libraries, attorneys from the Intellectual Property Law Associations and subject matter experts in marketing.
- ♦ **Supporting Inventor Organizations**: The USPTO also participates in outreach initiatives with inventor organizations throughout the United States. These non-profit inventor organizations that assist inventors with innovations and the desire to start a business based on those inventions.
- ♦ **Online Public Chats**: Held every other month, these chats provide ongoing education opportunities, allowing the public to ask questions in a live chat room and receive an answer. The chat lasts for 1 hour, and resources from across the agency (SPE's, Design practitioners, Trademark attorneys and PTDL representative) provide input for the responses. Chat transcripts are converted to FAQ's posted on the Inventors Resource Page. <http://www.uspto.gov/inventors/independent/chats/faq/index.jsp>

- ♦ **Inventors Resource Page:** The Inventor's Resource Page provides "plain language" information about the patent and trademark processes.
 - <http://www.uspto.gov/web/offices/com/iip/index.htm>
- ♦ **E-Newsletter:** The Inventors Eye newsletter is delivered by email on a bi-monthly basis. This newsletter provides helpful advice and resources as well as a listing of relevant events to all subscribers.
 - <http://www.uspto.gov/inventors/independent/eye/201004/index.html>
- ♦ **Inventors Assistance Center (IAC):** Provides patent information services to the public. The IAC is staffed by former Supervisory Patent Examiners and experienced Primary Examiners who answer general questions concerning patent examining policy and procedure.

The IAC can answer general questions regarding patent examining policy, direct callers to the appropriate USPTO personnel, assist with filling out forms, provide general information concerning rules, procedures and fees and mail patent information via regular mail or facsimile. The phone number for the IAC, 800-PTO-9199, is contained within all relevant material distributed by USPTO.

IV.6 International

IV.6.1 Overview

The USPTO continued to expand its international cooperation with foreign intellectual property offices in FY 2011 in view of the growing duplication of work and the impact it is having on processing times and backlogs. The USPTO is implementing work sharing, whereby one office can exploit the search and examination previously done by another office on a corresponding application, to increase the efficiency and effectiveness of its own search and examination. The USPTO is also enhancing its cooperation among the world's five largest patent offices, namely the European Patent Office (EPO), Japan Patent Office (JPO), Korean Intellectual Property Office (KIPO), State Intellectual Property Office of China (SIPO) and USPTO, in a framework referred to as the "IP 5". Several projects underway in the IP5 offices aim to build trust among the IP5 Offices, to ensure examiners easily understand exactly how an application was treated by the examiner before them, and to have confidence in the results and decisions made by that office. The USPTO is also renewing its engagement with foreign countries to encourage substantive patent law harmonization and improvement of the international patent system to facilitate work sharing.

IV.6.2 Patent Prosecution Highway

The USPTO's primary work sharing vehicle—the "Patent Prosecution Highway" (PPH)—has proven to be a major success, producing significant efficiency gains in terms of higher allowance rates, fewer office actions per disposal, and substantially lower percentages of appeals and continuation applications. The USPTO is on track to double the total number of PPH requests in FY 2011 that it has received in the preceding 4 years combined. In addition to greater office efficiencies, the cost savings to participating applicants has proven to be quite significant.

As of July 31, 2011, there have been 6962 Total PPH requests (5273 filed via the Paris Convention route and 1689 filed via PCT-PPH).

The grant rate for PPH cases at the USPTO continues to be about double the normal allowance rate. For PPH cases filed via the PCT-PPH route, the allowance rate is 96%, and PPH cases using the Paris Convention route have an allowance rate of 89%. The allowance rate for all applications at the USPTO is 47%.

First Action Allowances are also higher for PPH cases. PCT-PPH cases have a first action allowance rate of 20%; PPH cases using the Paris Convention route have a first action allowance rate of 26%, while the overall first action allowance rate at the USPTO is 15.9%.

The average number of office actions continues to be lower for PPH cases, with 2.13 actions per Paris Convention route PPH case and 1.61 actions on average per PCT-PPH, while the overall average actions per case at the USPTO is 2.49.

On July 15, 2011, the USPTO, along with the Patent Offices of Japan, Canada, Australia, Finland, the Russian Federation, Spain and the United Kingdom began testing an enhanced framework for the Patent Prosecution Highway. The revised framework eliminates the strict priority linkage between corresponding applications that has been a central feature of the PPH until now in favor of a more relaxed, user-friendly approach that only requires the corresponding applications in question to be members of the same patent family. The intent is to provide applicants more flexibility and increased opportunities to participate in the PPH. Testing is scheduled to last one year.

A Working Group of the PPH partner offices will convene in October 2011 in Munich to continue discussions of a USPTO proposal for a next-generation PPH framework—PPH 2.0. The objective of PPH 2.0 is to replace the existing bilateral PPH arrangements with an improved and enhanced

centralized framework, making the PPH easier to use and navigate, less burdensome, and more efficient.

IV.6.3 Strategic Handling of Applications for Rapid Examination (SHARE)

The USPTO, through its SHARE initiative, has made great strides in Fiscal Year 2011 through various work sharing programs. In particular, work sharing efforts are currently underway with the Korea Intellectual Property Office (KIPO), The United Kingdom Intellectual Property Office (UKIPO), and through the Trilateral with the Japanese Patent Office (JPO) and European Patent Office (EPO). With respect to the SHARE pilot with the USPTO and KIPO, the pilot recently concluded and efforts are underway to continue the close collaboration between the Offices to build off the lessons learned from the pilot and to design the next phase of this important bilateral work. Through the UKIPO Work sharing Initiative, which commenced in November 2010, the USPTO is evaluating the effectiveness and feasibility of accessing and utilizing foreign search reports from the UKIPO. In this Initiative, USPTO examiners receive an indication that foreign search reports from corresponding cross-filed UKIPO applications are available for their use as part of the examiner's overall search and examination.

Some examiners were asked to complete a Work sharing Survey in order to obtain their perspective of the usefulness of the UKIPO search report. Favorable responses in a majority of the preliminary results from the work sharing survey indicate that examiners find the use of a foreign work product helpful in their examination. In addition, results indicate the examiner's willingness to utilize foreign work through work sharing in the future. Examiners are noticed of applications on their docket that have a work product completed in a corresponding first-filed application at the JPO under their First Program. Similarly, some examiners were asked to complete a work sharing survey to share their perspectives on the usefulness of the JPO's work product. Again, preliminary results to the work sharing survey are favorable and indicate willingness to further work sharing efforts among IP Offices. The First Look Application Sharing (FLASH) Pilot is a one-year pilot that commenced in November 2010, where the USPTO appropriately balances and prioritizes the examination of applications as an office of first filing (OFF) in order to provide an USPTO examination result to the JPO or EPO as the office of second filing in a corresponding cross-filed application. The EPO and JPO have responded favorably to this effort and the USPTO eagerly awaits the results and analysis from the EPO and JPO on the usefulness of the USPTO work product to the examiner's in their respective offices.

IV.6.4 IP5 Work Sharing Foundation Projects

Since 2007, the USPTO has participated in the IP5, a partnership with the EPO, JPO, KIPO and SIPO. Recognizing the growing number of filings in all five offices and the impact this has on the operation of the global patent system, the IP5 developed a vision to eliminate duplication of work and enhance patent examination efficiency and quality.

With this shared vision, the IP5 Offices defined ten Foundation Projects. The projects are comprised of IT and examination practice-related initiatives that provide infrastructure for work sharing. Together the projects aim to build trust among the IP5 Offices, to ensure examiners easily understand exactly how an application was treated by the examiner before them, and to have confidence in the results and decisions made by that office.

Significant progress has been made on the IP5 Foundation Projects since their onset. Three Working Groups (WGs) were formed to guide detailed-level project planning and implementation. The WGs quickly moved the Foundation Projects from early conceptual stages into concretely defined initiatives with specific objectives and milestones.

Several accomplishments were achieved in the past year. The Offices agreed upon business requirements for several of the IT-related projects and are currently defining technical implementation plans. Pilots are in progress that will inform the offices on search tools and recordation

requirements. Other pilots investigated potential technical areas for developing the IP5 common classification system.

IV.6.5 Outsource PCT Searches

Over the last two years, outsourcing has enabled the USPTO to become a world leader in overall timeliness, a complete reversal of the situation of only a few years ago. The USPTO is taking significant steps to maintain the progress made, notwithstanding funding cuts to the contract necessitated by the overall budget situation during FY 2011. In addition, quality has improved in view of the more recent change to US patent examiner standards for the contracted work.

IV.6.6 Patent Cooperation Treaty – Work Sharing (PCT-PPH)

In FY 2011, USPTO initiated pilot PCT-Patent Prosecution Highways (PCT-PPH) with five additional International Authorities: IP Australia (IPAU), Rospatent, the Austrian Patent Office (APO), the Spanish Patent and Trademark Office (SPTO), and the National Board of Patents and Registration (NBPR) in Finland. Further, USPTO and Rospatent have been working together so that Rospatent can soon begin operating as a competent International Searching Authority for US nationals and residents.

USPTO is now embarking on the second phase of a Collaborative Search and Examination Pilot Program with KIPO and EPO. The second phase will be similar to the first in operation, but larger, involving more applications and more examiners to gather data for objective program evaluation.

IV.6.7 Overall PCT Statistics

♦ Timeliness

	FY2009	FY2010	FY2011 (Oct.-May)
RO/US Receipt to record copy mailing	21 days	13 days	11 days
DO/EO/US Receipt to release	379 days	251 days	172 days
	2009	2010	2011 (CY to date)
ISA/US Mailing of ISR/WO within 16 months from priority	77%	82%	85%
Mailing of ISR/WO within 18 months of priority	87%	91%	95%
IPEA/US Mailing of IPER within 28 months from priority	14%	14%	21%
Mailing of IPER within 30 months of priority	22%	19.5%	27% ¹

Note 1: 269 (or 33%) issued at 61+ months. USPTO records show 2006 IPERS mailed in FY2011 vs. 974 Demands filed.

♦ Quality: The USPTO is participating in a Trilateral Collaborative Metrics Study:

- **Phase 1**: Analyzed the relationship between searches performed in PCT Chapter I and national stage examination results: Phase 1 consisted of gathering data on national stage applications filed from January 2000 to present. USPTO completed its portion of phase 1 and forwarded its results to the EPO in July 2011.

- **Phase 2:** More detailed examination on the use of PCT Chapter I search results in the National Phase (sample-based study). USPTO reviewed a sample of national stage applications, which had international searches performed by the Trilateral Offices. Data was collected from these applications to determine, e.g., whether the same examiner treated the application in both the international and national stages, the extent of reuse of international stage results in the national stage, and whether the same conclusion was reached by the examiner in both stages. USPTO completed its portion of phase 2 in early August 2011 and transmitted its results to the EPO. EPO is currently gathering and reviewing data from the USPTO, JPO and EPO for statistical analysis for completion of Phase 2 of the Trilateral Collaborative Metrics Study.

IV.6.8 Effect of Lack of Funding on International Programs

As noted above, during FY 2011, the funding of PCT search outsourcing had to be cut by 50%. The Office of Policy and External Affairs (OPEA) also cut travel funding by 42% in FY 2011, sending smaller delegations to international meetings or not sending representatives to some meetings. Travel cuts also resulted in the USPTO sponsoring fewer expert speakers from other agencies for its overseas programs and having fewer sponsored foreign officials at training programs held at the USPTO. Domestic IP Awareness programs for SME were cut from 8 planned programs to 2 during FY 2010.

IV.6.9 Effect of Patent Reform Legislation on International Programs

The progress of patent reform legislation during FY 2011 in the United States has provided a strong impetus to USPTO efforts to engage foreign officials on substantive patent law harmonization. The USPTO hosted a meeting of patent office officials from the Asia-Pacific region in March to discuss patent harmonization, and then engaged several European countries in the ensuing months. Both the Trilateral and IP5 are also discussing patent law harmonization. The patent reform legislation has demonstrated the strong conviction of the United States to ensure that the 21st century IP dialogue is a global one.

IV.6.10 Committee International Recommendations

The Committee commends the Office for its efforts on these international cooperation and work sharing initiatives and recommends their continued expansion and improvement. In particular, the Committee recommends that the Office review these efforts to ensure that the initiatives promote the overall objectives of international work sharing, reduce duplication of efforts by offices and promote best practices to improve timeliness and quality.

On PPH, the Committee supports USPTO's efforts to increase use of the PPH arrangements by applicants and notes the positive results achieved to date. The Committee recommends that the USPTO continue its PPH promotional efforts and use of the new Mottainai pilot. The Committee supports the concept of PPH 2.0, which has promise to increase consistency among the various offices and simplify the requirements for applicants. The Committee recommends that the USPTO develop the PPH 2.0 and conduct a pilot of the new program as soon as possible.

On the SHARE program, the Committee supports the USPTO's efforts on close collaboration between the various patent offices. The Committee recommends the USPTO accelerate design of the next phase and expansion of the program in the coming years as more learning is gained from the pilot programs including the FLASH program. Work sharing can increase efficiency of examiners and reduce the time needed to grant patents.

On PCT work sharing (PCT-PPH), the Committee commends the USPTO on its efforts to use PCT as vehicle for PPH. From the statistics, PCT-PPH has been a clear success. The PCT-PPH has resulted in

higher grant rates and First Action Allowances, and had significantly reduced the number of Office Actions, even versus Paris Convention PPH proceedings. Thus, the Committee recommends the USPTO to put additional resources against the PCT-PPH work sharing programs and to better educate U.S. applicants of the availability and speed of the PCT-PPH program. Cooperation with WIPO should also help to move this project forward. In addition, the USPTO should quickly wrap up the new pilots with International Authorities to make them full time programs, and look for additional partners to act as International Searching Authorities.

Overall, the Committee commends the Office on its proactive actions in FY 2011 to expand/improve the PPH, SHARE, IP5 and PCT programs.

As with other areas of USPTO operations, full funding will be critical to the success of these international programs. The funding for PCT search outsourcing had to be cut by 50% this fiscal year. Travel cuts reduced the ability of the USPTO personnel to expand pilot programs and cooperate with foreign patent offices. Public awareness programs for these initiatives were also cut. Given the excellent results produced by the International programs in increasing efficiencies, reducing backlog, and cutting costs, these programs should be given at least full funding, if not, expanded funding to deliver better results. Funding at 2011 fiscal year levels would severely hinder the USPTO from realizing the benefits from these programs.

SECTION V - APPENDICES

V.A Transmittal Letter

Voting Committee Members:

Damon C. Matteo
Chairman
Palo Alto Research Center

Marc S. Adler
Marc Adler, LLC

Ben Borson
Borson Law Group

Louis J. Foreman
Enventys

Eather Kapplinger
Wilson Sonsini

Michelle K. Lee
Google

Steven W. Miller
Proctor & Gamble

Wayne P. Sobon
Ramkus Inc.

Maureen K. Toohey
Toohey Law Group, LLC

Non-voting Representatives:

Robert D. Budens
President, Patent Office
Professional Association (POPA)

Vernon Ako Towler
Vice President
National Treasury Employees
Union (NTEU, Local 243)

Catherine Faint
Vice President
National Treasury Employees
Union (NTEU, Local 245)



PATENT PUBLIC ADVISORY COMMITTEE
OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE

4 November 2011

The President
The White House
Washington, D.C. 10500-0001

Re: Patent Public Advisory Committee Annual Report For Fiscal Year 2011

Mr. President:

As Chairman of the Patent Public Advisory Committee ("PPAC") of the United States Patent & Trademark Office ("USPTO"), it is my great pleasure and privilege to convey to you the PPAC Annual Report for the 2011 fiscal year. To aid in your review, you will find an *Executive Summary*, which highlights six high level "themes" integral to USPTO operations, and that are interwoven with the various topical areas covered in this Annual Report.

Principal among these is the critical import of providing stable and adequate funding to the USPTO to support new initiatives to improve operations – and even to preserve current levels of operation. Appropriations at adequate levels and the new fee-setting authority arising from the America Invents Act ("AIA") are key aspects achieving that funding goal, but are alone insufficient unless the USPTO is allowed to retain all collected user fees. PPAC encourages legislators to ensure the USPTO receives levels of funding adequate to the tasks before it and full access to collected fees.

The newly passed America Invents Act also poses challenges both in implementing new obligations (e.g. post-grant review) and in exercising new authority (e.g. fee-setting authority). Attendant to the fee-setting authority provision in AIA is a series of additional obligations for the PPAC. PPAC looks forward to its additional statutory role in guiding the USPTO in implementing reasoned fees under AIA. However, in light of these additional duties, the Committee suggests that the PPAC Charter and the Federal Conflict Of Interest Laws for Special Government Employees be interpreted in a fashion that provides PPAC with time to address these additional duties in the thoughtful and professional manner they deserve.

Fiscal year 2011 brought with it significant progress on many fronts for the USPTO despite funding issues, but many challenges remain. However, funding alone cannot be the cure, but rather the USPTO needs to continue to advance its important initiatives including process re-engineering and its outreach to applicant constituencies. Building on the progress to date, however, is not simply desirable, PPAC believes it is necessary to realize the true and full potential of the US patent system.

I welcome any questions or comments you or your staff might have regarding this Report.

Sincerely,

Damon C. Matteo
Chairman
Patent Public Advisory Committee
United States Patent & Trademark Office

Enclosure: Patent Public Advisory Committee Fiscal Year 2011 Annual Report

V.B Membership: USPTO Patent Public Advisory Committee

■ Damon C. Matteo, Chairman



Damon C. Matteo is Vice President & Chief Intellectual Property Officer of the Palo Alto Research Center (PARC). Mr. Matteo's career spans twenty years in all facets of the strategic creation, management and commercialization of high-value intellectual capital assets – all in an international context. On the creation side, these efforts align research targeting with the creation of intellectual capital assets that secure advantaged technology positions in the marketplace, and realize broader corporate objectives. In optimizing returns from these assets, Mr. Matteo regularly employs new business creation, start-ups, venture/strategic funding, M&A, licensing, assertion as well as direct-to-product vehicles. Aside from their strategic benefits, a number of these transactions were themselves each valued at over US\$250 million. In creating and commercializing these innovations, Mr. Matteo operates across industry domains which span: mobile computing, clean-tech (e.g. water & solar), web and e-commerce, computer and consumer electronics, networking (e.g. interoperability and security) and telecom.

In recognition of this professional standing, Mr. Matteo's awards and distinctions include being named one of the "Fifty Most Influential People in Intellectual Property" by both Intellectual Asset Magazine and Managing Intellectual Property Magazine, the National Technology Transfer Excellence Award given by the U.S. Federal Government, NewsLink's "Profile In Excellence" for technology transactions and Senior Distinguished Fellow for the Center For Advanced Technology.

A recognized thought leader dedicated to developing new theory and best-practice in realizing value from intellectual capital assets, Mr. Matteo is also an author, by-line columnist, subject of frequent interviews and sought-after lecturer at graduate universities and professional organizations worldwide. Mr. Matteo also serves as an expert for the US Congress, federal agencies e.g. U.S. Department Of Commerce, U.S. Security & Exchange Commission (SEC), the United Nations, as well as for corporations, universities and at trial.

Mr. Matteo serves as Chairman of the US Patent & Trademark Office's Public Advisory Committee, which operates like a Board Of Directors (overseeing operations, goals, performance, budget, etc...) for the USPTO. Other Board memberships include the European Center For Intellectual Property Studies and Chair of the Silicon Valley Licensing Executive Society.

■ Marc Adler (Term Expired 10/9/2011)



Marc Adler recently started a private intellectual property strategy consulting practice (Marc Adler LLC). For the past 26 years he worked for Rohm and Haas Company and since 1993 served as the Company's Chief Intellectual Property Counsel and Associate General Counsel. Marc had worldwide responsibility for intellectual property matters for the company including patent preparation and prosecution, intellectual property strategies, licensing and litigation, and managed a group of 25 attorneys and agents in the US, Europe, Japan and China.

Mr. Adler is the immediate past President of the Intellectual Property Owners Association and Association of Corporate patent Counsel. He was also on the Executive Committee of the US AIPPI. He is also currently on the Board of the National Inventor's Hall of Fame, the IP Advisory Board of Franklin Pierce School of Law and Lexis/Nexis.

Mr. Adler received his BS ChE from the City College of New York, his MS ChE from the University of Florida, and his law degree (JD) from St. John's University in New York. He started his career as a

Chemical Engineer for 8 years with Esso Research and Engineering and Union Carbide Corporation before becoming an associate with a patent law firm in New York City.

■ Ben Borson



Dr. Ben Borson is Founder and President of the Borson Law Group, PC in Lafayette, California. He is a patent attorney representing individual inventors and small- and mid-sized companies that create and exploit intellectual property assets. His clients are in the biological arts (biotechnology, chemistry, and pharmaceutical sciences), scientific and medical instrumentation, materials science, semiconductor processing, software, video technology, and mechanical arts. He has 15 years of experience as a practitioner, and focuses on patent preparation, prosecution, opinions and licensing. Additionally, he assists clients in trademark, copyright, and scientific counseling.

Dr. Borson is an active lecturer and author in intellectual property law, and prepared and prosecuted over 90 issued patents. He was recently appointed Adjunct Professor of Law at Golden Gate University, where he teaches biotechnology law in the J.D. program. Dr. Borson is a member of the AIPLA patent and biotechnology committees, and is co-chair of the Section 101 sub-committee. He is active in the IP Law and International Law Sections of the State Bar of California, is a past member of the IP Section Executive Committee, and currently Chairs the Legislation Committee. He is past co-chair of the Council of State Bar Sections, and served on the Board of Governor's Task Force on Sections. Ben was appointed to the PPAC in 2009 by Secretary Locke.

Dr. Borson earned a Bachelor of Arts degree from San Francisco State College, a Masters of Arts degree in Biology from the University of California, Riverside, a Ph.D. degree in Physiology from the University of California, San Francisco, and a J.D. degree from the University of San Francisco School of Law.

He is licensed to practice law in California, District Court in California and to practice before the USPTO.

Prior to entering law, Dr. Borson was a member of the faculty at the University of California, San Francisco, Cardiovascular Research institute, where he ran a research program in basic biomedical science, and trained post-doctoral fellows and staff in research methods. He also was a member of the faculty of the Department of Physiology. He is author of over 70 peer-reviewed articles, reviews and abstracts in physiology, biochemistry and molecular biology. He was the recipient of research grants from the National Institutes of Health, Cystic Fibrosis Foundation, American Lung Association, the Parker B. Francis Foundation and other groups.

Dr. Borson is founder and Past President of the BioScience Forum, a non-profit educational organization. He is a past member of the Federated Association of Societies for Experimental Biology, American Lung Association, American Physiology Society, American Association of Cell Biologists, American Chemical Society, and the American Association of Pharmaceutical Scientists. Prior to entering science, he was a Certified Flight Instructor and holds a Commercial Pilot License.

■ Louis Forman



Louis Foreman is founder and Chief Executive of Enventys (www.enventys.com), an integrated product design and engineering firm with offices in Charlotte, NC and Taiwan. Louis graduated from The University of Illinois with a Bachelors of Science degree in Economics. His interest in starting businesses and developing innovative products began while a sophomore with his first company founded in his fraternity room. Over the past 20 years Louis has created 9 successful start-ups and has been directly responsible for the creation of over 20 others. A prolific inventor, he is the inventor of 10 registered US Patents, and his firm is responsible for the development and filing of well over 400 more.

The recipient of numerous awards for entrepreneurial achievement, his passion for small business extends beyond his own companies. Louis volunteers his time teaching small business classes at various Colleges and Universities. He received the 2007 Instructor Achievement Award for his teaching at Central Piedmont Community College, and in 2009 was recognized by the National Museum of Education for his Distinguished Contributions to Education. In 2009, Louis was named Entrepreneur in Residence at The McColl School of Business at Queens University. He is a frequent lecturer and radio / TV guest on the topics of small business creation and innovation, and is frequently invited by the United States Patent and Trademark Office and national trade associations to be a featured speaker on the topic of innovation.

In addition to being an inventor, Louis is also committed to inspiring others to be innovative. Louis is the creator of the Emmy[®] Award winning PBS TV show, *Everyday Edisons* and serves as the Executive Producer and lead judge. The show is in its third season and appears nationally on PBS. In 2007, Louis became the publisher of *Inventors Digest*, a 20 year old publication devoted to the topic of American Innovation. In 2009, his first book, *The Independent Inventor's Handbook*, was published by Workman Publishing.

Louis was a founding member of The Inventors Network of the Carolinas, a non-profit organization that empowers inventors through education. In 2010, he was elected to the boards of the Intellectual Property Owners Education Foundation (IPO) and The United Inventors Association (UIA). He also serves as a board member for the Entrepreneurial Leadership Council at Queens University.

■ Esther Kepplinger



Esther Kepplinger is Wilson Sonsini Goodrich & Rosati's Chief Patent Counselor. She serves as a liaison with the PTO enhancing the firm's practice before the PTO, provides client strategic patent counseling and serves as an expert witness on patent examination procedures. In 2009, she was appointed by Secretary of Commerce, Gary Locke, to serve on the Patent Public Advisory Committee (PPAC), an advisory committee to the USPTO. Prior to joining the firm in 2005, Ms. Kepplinger served as the Deputy Commissioner for Patent Operations for five years (2000-2005) at the USPTO. In this capacity, she oversaw the day-to-day operations of the Examining

Corps, was responsible the achievement of the quality, pendency and productivity goals and helped in the development of patent policy. She played an active role in the Trilateral activities and led the drafting of WIPO PCT Search and Examination Guidelines and WIPO Standards for submitting nucleic acid and/or amino acid sequences in international patent applications. She spent 32 years at the USPTO in various positions, including examiner.

■ **Michelle K. Lee** (*Term Expired 10/9/2011*)



Michelle K. Lee is Deputy General Counsel and Head of Patents and Patent Strategy at Google Inc., a leading provider of internet search services. In her role at Google, Ms. Lee is responsible for patent related matters including prosecution, acquisitions, licensing, third part disputes and policy. Prior to her position at Google, Ms. Lee was a partner in the Licensing and Intellectual Property groups at the law firm of Fenwick & West LLP.

Ms. Lee received a master of science degree in computer science and a bachelor of science degree in electrical engineering, both from the Massachusetts Institute of Technology, where she graduated at the top of her class.

Ms. Lee received her law degree from Stanford Law School and was editor of the Stanford Law Review. Prior to attending law school, Ms. Lee worked as a computer science researcher at the Hewlett Packard Company and the M.I.T. Artificial Intelligence Laboratory. Upon graduating from law school, Ms. Lee clerked for Judge Vaughn R. Walker on the U.S. District Court for the Northern District of California. Thereafter, Ms. Lee clerked on the U.S. Court of Appeals for the Federal Circuit in Washington, D.C. for Judge Paul R. Michel.

Ms. Lee serves on several boards including the Stanford Board of Visitors, the George Washington University Law School's Intellectual Property Benefactors Program and the Santa Clara Law School's High Technology Law Board.

■ **Steven W. Miller**



Steven W. Miller is Vice President & General Counsel - Intellectual Property for The Procter & Gamble Company. He joined Procter & Gamble in August, 1984 after receiving a J.D. with honors and a B.S. in Mechanical Engineering, cum laude, from The Ohio State University. His first assignment was to support the Paper Division dealing with diapers and surgical products. In June, 1989, he was appointed Patent Counsel, Diapers. In December, 1994, Steve was appointed to Associate General Counsel - Patents for Diapers, Feminine Protection, and Adult Incontinent Products. In July 1999, Steve was promoted to Vice President & Associate General Counsel-Patents for the Baby Care Global Business Unit. In July 2000, Steve was appointed Vice President & Associate General Counsel-Patents for the Baby Care & Feminine Care Global Business Unit.

In August 2000, Steve was appointed Chief Patent Counsel. In July 2001, Steve was appointed to his current position. Steve has authored numerous P&G patents and patent applications and has been involved in a number of interferences, arbitrations, and litigation, both in the U.S. and abroad. Steve has been a frequent lecturer at IPO and ACPC seminars on patent law and IP management. Steve is admitted to practice before the State of Ohio, the U.S. Supreme Court, the United States District Court for the Southern District of Ohio, and the United States Court of Appeals for the Sixth Circuit and the Federal Circuit. Steve is a member of the American Intellectual Property Law Association; American Bar Association - Intellectual Property Committee; Cincinnati Intellectual Property Law Association; Association of Corporate Patent Counsels; Dean's National Council for The Ohio State University Moritz College of Law; on the Board of Directors for the National Inventors Hall of Fame; on the Board of Directors for the Intellectual Property Owners Association Education Foundation; and on the Board of Directors and Vice President for the Intellectual Property Owners Association.

■ **Wayne P. Sobon**



Wayne P. Sobon is Vice President and Chief IP Counsel for Rambus Inc., at its Sunnyvale, California office. Originally from Phoenix, Arizona, Wayne received his B.S. degree in physics and B.A. degree in German Studies from Stanford University in 1984 and his J.D. and M.B.A. from the University of California, Berkeley in 1992. Wayne worked at several Silicon Valley law firms, and most recently as Associate General Counsel, and Director of Intellectual Property for Accenture from 2000 to 2011.

Wayne is First Vice President of the American Intellectual Property Law Association (AIPLA), a member of the USPTO's Patent Public Advisory Committee (PPAC), a member of the board of Invent Now.org of the National Inventor Hall of Fame, and a prior member of the board of the Intellectual Property Owners Association (IPO).

■ **Maureen K. Toohey** *(Term Expired 10/9/2011)*



Maureen K. Toohey is the founding member of Toohey Law Group LLC, which has offices in Boston, Massachusetts and Manchester, New Hampshire. She counsels clients regarding the strategic protection and transfer of intellectual property rights, supervises the prosecution of patent portfolios, and litigates intellectual property disputes for technology companies. Her practice involves a wide variety of technologies, with a particular emphasis in the medical device and green technology fields.

Prior to founding the Toohey Law Group in 2007, Maureen served as General Counsel for DEKA Research & Development Corporation, a dynamic research and development company founded by prolific inventor Dean Kamen. Dean Kamen and DEKA have been responsible for the development of a wide range of medical devices, such as the first wearable infusion pump, the Baxter HomeChoice™ Dialysis System, the IBOT Mobility System, and the Luke prosthetic arm, as well as the development of the Segway™ Human Transporter (HT).

Prior to joining DEKA, Maureen practiced in the Silicon Valley Office of Weil, Gotshal & Manges LLP, where she specialized in patent litigation involving technologies such as semiconductors and medical devices. Maureen also served as a clerk to the Honorable Randall R. Rader of the U.S. Court of Appeals for the Federal Circuit.

Maureen received a B.S. in Chemistry from the United States Naval Academy at Annapolis, MD. After serving on active duty in the United States Navy as an environment scientist for almost six years, Maureen attended law school at the University of Virginia School of Law and received her J.D. in 1996. She is admitted to practice before Courts of California, Massachusetts, and New Hampshire, the U.S. Court of Appeals for the Federal Circuit, and the U.S. Patent and Trademark Office.

Additionally, Maureen is active in the Federal Circuit Bar Association, AIPLA, and IP Law Section of the ABA, and serves as an advisor to FIRST (For Inspiration and Recognition of Science and Technology), a non-profit organization dedicated to inspiring young people to pursue a career in science and engineering. For more information, please see www.usfirst.org.

(a) Establishment Of Public Advisory Committees

(1) Appointment – The United States Patent and Trademark Office shall have a Patent Public Advisory Committee and a Trademark Public Advisory Committee, each of which shall have nine voting members who shall be appointed by the Secretary of Commerce and serve at the pleasure of the Secretary of Commerce. Members of each Public Advisory Committee shall be appointed for a term of 3 years, except that of the members first appointed, three shall be appointed for a term of 1 year, and three shall be appointed for a term of 2 years. In making appointments to each Committee, the Secretary of Commerce shall consider the risk of loss of competitive advantage in international commerce or other harm to United States companies as a result of such appointments.

(2) Chair – The Secretary shall designate a chair of each Advisory Committee, whose term as chair shall be for 3 years.

(3) Timing Of Appointments – Initial appointments to each Advisory Committee shall be made within 3 months after the effective date of the Patent and Trademark Office Efficiency Act. Vacancies shall be filled within 3 months after they occur.

(b) Basis For Appointments – Members of each Advisory Committee

(1) shall be citizens of the United States who shall be chosen so as to represent the interests of diverse users of the United States Patent and Trademark Office with respect to patents, in the case of the Patent Public Advisory Committee, and with respect to trademarks, in the case of the Trademark Public Advisory Committee;

(2) shall include members who represent small and large entity applicants located in the United States in proportion to the number of applications filed by such applicants, but in no case shall members who represent small entity patent applicants, including small business concerns, independent inventors, and nonprofit organizations, constitute less than 25 percent of the members of the Patent Public Advisory Committee, and such members shall include at least one independent inventor; and

(3) shall include individuals with substantial background and achievement in finance, management, labor relations, science, technology, and office automation. In addition to the voting members, each Advisory Committee shall include a representative of each labor organization recognized by the United States Patent and Trademark Office. Such representatives shall be nonvoting members of the Advisory Committee to which they are appointed.

(c) Meetings – Each Advisory Committee shall meet at the call of the chair to consider an agenda set by the chair.

(d) Duties – Each Advisory Committee shall

(1) review the policies, goals, performance, budget, and user fees of the United States Patent and Trademark Office with respect to patents, in the case of the Patent Public Advisory Committee, and with respect to Trademarks, in the case of the Trademark Public Advisory Committee, and advise the Director on these matters;

(2) within 60 days after the end of each fiscal year

(A) prepare an annual report on the matters referred to in paragraph (1);

- (B) transmit the report to the Secretary of Commerce, the President, and the Committees on the Judiciary of the Senate and the House of Representatives; and
- (C) publish the report in the Official Gazette of the United States Patent and Trademark Office.

(e) Compensation – Each member of each Advisory Committee shall be compensated for each day (including travel time) during which such member is attending meetings or conferences of that Advisory Committee or otherwise engaged in the business of that Advisory Committee, at the rate which is the daily equivalent of the annual rate of basic pay in effect for level III of the Executive Schedule under section 5314 of title 5. While away from such member's home or regular place of business such member shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5.

(f) Access To Information – Members of each Advisory Committee shall be provided access to records and information in the United States Patent and Trademark Office, except for personnel or other privileged information and information concerning patent applications required to be kept in confidence by section 122.

(g) Applicability Of Certain Ethics Laws – Members of each Advisory Committee shall be special Government employees within the meaning of section 202 of title 18.

(h) Inapplicability Of Federal Advisory Committee – The Federal Advisory Committee Act (5 U.S.C. App.) shall not apply to each Advisory Committee.

(i) Open Meetings – The meetings of each Advisory Committee shall be open to the public, except that each Advisory Committee may by majority vote meet in executive session when considering personnel, privileged, or other confidential information.

(j) Inapplicability Of Patent Prohibition – Section 4 shall not apply to voting members of the Advisory Committees.

(Added Nov. 29, 1999, Public Law 106-113, sec. 1000(a)(9), 113 Stat. 1501A-578 (S. 1948 sec. 4714); subsections (e) and (g) amended Nov. 2, 2002, Public Law 107-273, sec. 13206, 116 Stat. 1904; subsection (i) amended and subsection (j) added Nov. 2, 2002, Public Law 107-273, sec. 13203, 116 Stat. 1902.)

A. ESTABLISHMENT

The Secretary of Commerce establishes the Patent Public Advisory Committee (Committee) under the Patent and Trademark Office Efficiency Act, Pub. L. 106- 1 13, Appendix I, tj 4714, 113 Stat. 5101A-578 (Nov. 29, 1999), codified at 35 U.S.C. 8 5.

B. OBJECTIVES AND DUTIES

1. The Committee will review the policies, goals, performance, budget, and user fees of the United States Patent and Trademark Office (USPTO) with respect to patents and advise the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (Director) on these matters.
2. Within 60 days after the end of each fiscal year, the Committee will prepare an annual report on the matters referred to in paragraph (1); transmit the report to the Secretary of Commerce, the President, and the Committees on the Judiciary of the Senate and the House of Representatives; and publish the report in the Official Gazette.
3. The Committee functions solely in an advisory capacity.
4. The Committee will be available to the Director for consultation.

C. MEMBERS AND CHAIRPERSON

1. The Committee will have nine voting members, who are appointed by and serve at the pleasure of the Secretary of Commerce.
2. Voting members of the Committee
 - a. will be citizens of the United States;
 - b. will be chosen so as to represent the interests of USPTO diverse users with respect to patents;
 - c. will include members who represent small and large entity applicants located in the United States in proportion to the number of applications filed by such applicants;
 - d. will include at least three members who represent small entity patent applicants, including small business concerns, independent inventors, and nonprofit organizations;
 - e. will include:at least one independent inventor; and
 - f. will include individuals with substantial background and achievement in finance, management, labor relations, science, technology, and office automation.
3. In making appointments to the Committee, the Secretary of Commerce will consider the risk of loss of competitive advantage in international commerce or other harm to United States companies as a result of such appointments.
4. Voting members will be Special Government Employees as defined in 18 U.S.C. 5 202.
5. The Committee will have three non-voting members consisting of a representative from each labor organization recognized by USPTO, namely, Locals 243 and 245 of the National Treasury Employees Union (NTEU) and the Patent Office Professional Association (POPA).

6. The Secretary will appoint a voting member of the Committee as the Chairperson. The Chairperson will serve a three-year term. If the Chairperson is unable to attend a Committee meeting, he or she will appoint a voting member of the Committee to chair the meeting.
7. Each voting member will serve a three-year term. However, when the first voting members are appointed, three will be appointed for a term of one year, and three will be appointed for a term of two years. No voting member may serve more than two consecutive terms.
8. When a vacancy occurs in the Committee, a replacement member may be appointed for the remainder of the unexpired term. Vacancies will be filled within three months after they occur. A replacement appointment for less than half of a term will not be counted for the purposes of the term limitation in the preceding paragraph.
9. Voting members of the Committee are not subject to 35 U.S.C. 8 4. The Director has determined that because voting members do not have access to confidential patent information and because 35 U.S.C. 3 5(b)(2) requires an independent inventor on the Committee, Congress did not intend for 35 U.S.C. 5 4 to bar Public Advisory Committee members from obtaining or prosecuting patents.

D. ADMINISTRATIVE PROVISIONS

1. The Committee will meet at least twice a year, but will not serve more than 60 days during any period of 365 consecutive days. Meetings will be held at the call of the Chairperson, in consultation with the Director.
2. Notice of a meeting, including the agenda for the meeting, will be posted on the USPTO Web site (www.USPTO.gov) at least two weeks before the meeting date except as the Chairperson may deem necessary. No other notice is required, but notice may also be published in the Federal Register and the Official Gazette. The Chairperson, in consultation with the Director, will set the agenda for each meeting.
3. Committee meetings will be open to the public, except that the Committee may, by majority vote, meet in executive session when considering personnel or other confidential information. The agenda will provide notice of each executive session.
4. Members of the public may file written statements with the Committee prior to the meeting concerning matters on the Committee's agenda. The Chairperson may permit members of the public to submit written statements on such matters within a specified time after the Committee meeting. Oral presentations at the Committee meetings by members of the public will not be permitted except upon invitation of the Chairperson.
5. Committee meetings may be conducted online. Meetings not conducted online will be held in the metropolitan Washington, D.C. area in space provided by USPTO.
6. Transcripts of Committee meetings open to the public will be posted on the USPTO Web site.
7. Procedures for the Committee decision-making process will be developed by the Committee. The Chairperson may appoint subcommittees subject to such conditions as the Chairperson may prescribe.
8. USPTO will provide clerical and other support services for the Committee as the Director may determine to be necessary and proper. The estimated annual budget for such support including compensation, travel, lodging, meeting room, and swing is \$94,000.00.

9. If necessary, in order to fulfill the duties of the Committee, the Chairperson may request USPTO to provide access to existing records created and used by USPTO in the ordinary course of business. Unless the request is for personnel or other privileged information and information concerning patent applications required to be kept in confidence by 35 U.S.C. 5 122, access to the records or copies of the records will be provided. The Chairperson will submit requests for records to the Office of the Director.
10. A voting member of the Committee will be compensated for each day, including travel time, during which such member is attending Committee meetings or is otherwise engaged in the business of the Committee. Compensation will be at the rate that is the daily equivalent of the annual rate of basic pay in effect for level III of the Executive Schedule under 5 U.S.C. 5 5314. While the member is away from his or her home or regular place of business, they will be compensated for travel expenses, including per diem as defined in 5 U.S.C. 5 5703.
11. The Federal Advisory Committee Act (5 U.S.C. App.) does not apply to the Committee.
12. The Director will issue protocols for the efficient operation of the Committee and for effective and timely interaction between the Committee and other USPTO units.
13. This charter may be amended by the Secretary of Commerce.

Section 10. Fee-Setting Authority

(a) Fee-Setting:

(1) **IN GENERAL:** The Director may set or adjust by rule any fee established, authorized, or charged under title 35, United States Code, or the Trademark Act of 1946 (15 U.S.C. 1051 et seq.), for any services performed by or materials furnished by, the Office, subject to paragraph (2).

(2) **FEES TO RECOVER COSTS:** Fees may be set or adjusted under paragraph (1) only to recover the aggregate estimated costs to the Office for processing, activities, services, and materials relating to patents (in the case of patent fees) and trademarks (in the case of trademark fees), including administrative costs of the Office with respect to such patent or trademark fees (as the case may be).

(b) Reduction of Fees in Certain Fiscal Years – In each fiscal year, the Director:

(1) shall consult with the Patent Public Advisory Committee and the Trademark Public Advisory Committee on the advisability of reducing any fees described in subsection (a); and

(2) after the consultation required under paragraph (1), may reduce such fees.

(c) Role of the Public Advisory Committee – The Director shall:

(1) not less than 45 days before publishing any proposed fee under subsection (a) in the Federal Register, submit the proposed fee to the Patent Public Advisory Committee or the Trademark Public Advisory Committee, or both, as appropriate;

(2) (A) provide the relevant advisory committee described in paragraph (1) a 30-day period following the submission of any proposed fee, in which to deliberate, consider, and comment on such proposal;

(2) (B) require that, during that 30-day period, the relevant advisory committee hold a public hearing relating to such proposal; and

(2) (C) assist the relevant advisory committee in carrying out that public hearing, including by offering the use of the resources of the Office to notify and promote the hearing to the public and interested stakeholders; and

(3) require the relevant advisory committee to make available to the public a written report setting forth in detail the comments, advice, and recommendations of the committee regarding the proposed fee; and

(4) consider and analyze any comments, advice, or recommendations received from the relevant advisory committee before setting or adjusting (as the case may be) the fee.